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Congress Planning Sub-Committee

OOTY SEMINAR

May 30—June 5, 1959

PAPERS DISCUSSED

ALL INDIA CONGRESS COMMITTEE

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INTRODUCTION

THE Planning Sub-Committee of the A.I.C.C. decided to hold as a part of its work a week's seminar at Ooty (Madras State) from 30th May to June 5, 1959.

There is a demand from Congressmen and non-Congressmen for fuller and more accurate information about the deliberations of the Seminar. We have decided to devote a whole issue of the '*Economic Review*' to the Ooty Seminar so that all those interested may have in their possession all the material that was considered at the Seminar and which will help the Planning Sub-Committee to define its attitude in regard to the strategy, resources, implications of the socialist pattern and institutional changes in connection with the Third Five-Year Plan.

The Seminar was attended by some 34 persons.

I am grateful to the Congress President as well as the Prime Minister for accepting my invitation and guiding us in the deliberations.

The study groups put in hard work and produced reports which were considered and discussed by the Seminar as a whole. The statement that was issued at the end of the Seminar is in effect a summary of these reports, as they finally emerged from its deliberations.

I should like to express my deep thanks to all those friends who in spite of their pre-occupations and many calls on their time and energy agreed to participate in the Seminar and contribute to some intensive thinking on the difficult and grave problems facing the country. It was in a way a unique gathering of politicians, academicians and experts getting together to grapple with, from every important angle, the task of the rapid economic and social development in India in the next quinquennial period so that the fabric of democracy is maintained and preserved and all men and women inhabiting our country are provided with the material urgencies and basic amenities of life. This is a task which will make the heaviest call on our moral, material and organisational resources.

As I have said, this is all preliminary thinking. A Plan for the nation, and especially of the magnitude that we envisage, it would be absurd to propound as a party Plan. It is for the Planning Commission and the Government of India ultimately with the assistance of the Parliament to lay down the broad policy. The Congress is making this humble effort in a spirit of helpfulness. It must be clear to all who participate in this effort that these are all expressions of opinion, at best statements of views. The results of clear thinking we are able to do on some important aspects of planning are for the consideration of the bodies that are ultimately charged with the responsibility at the State or Central level. They are not conceived to be anything beyond that, not the least as binding conclusions. I should emphasise this as there is a tendency in some circles to ascribe finality to our tentative conclusions.

I have no doubt that those who are interested in this subject—and luckily for us their number is not small—will find these papers stimulating reading.

—U.N. DHEBAR

NEED FOR PRECISION

SHRIMATI INDIRA GANDHI

THE Planning Sub-Committee of the All India Congress Committee is Dhebarbhai's brain child. But it was warmly welcomed by us all for it was the Congress at its Avadi and Nagpur Sessions that gave a lead to the country and chose the path of socialism. By this, we do not mean that we should follow any path of any text-book definition of socialism or any pre-conceived theory, but that we should evolve a direction more suited to the needs of Indian people. The people have a right to know in what direction we are going and what we expect of them. In my view, the picture of the future can only be of a somewhat general nature, for rapidly changing conditions in the world will affect our country and will, to some extent, determine our own policies. But with regard to the immediate task and the immediate steps to be taken, we must be more precise. Time is going fast and we have not really yet taken those definite steps, which can lead us towards our goal. That is what we are here to discuss and deliberate. We are all agreed that the times call for hard work and austerity. But when we demand the sacrifice of the people, we must also give them some compensation. It is not only the bright future that they can expect in the distant years to come but they must have something in the near future, in fact in the immediate present, which can give them hope and strength for the difficulties in working for the bright future. So, I hope that we will be able to fix some sort of priorities. There is naturally a great deal one wants to do in a country when it is newly freed and so much has to be achieved in all directions. But we have to now think of curbing our enthusiasm in all these different programmes and deciding what is of first importance even though it may mean that some worthwhile cause is neglected for the time being. We must decide what is absolutely essential and direct all our energies towards the attainment of these objectives and for this, it means we must direct all the energies of the Govern-

ment, of the organisation and then only we can really ask the people also to make this concentrated effort.

The most important problem at the moment is the food problem and I personally feel that if we can ensure adequate food at reasonable prices, adequate education—these two, I think, are the main things—and some health programmes—I think the nation will be behind us in anything we ask it to do.

(Congress President's remarks while welcoming the guests and members to the Seminar on May 30, 1959.)

THIRD PLAN PERSPECTIVES

SHRI JAWAHARLAL NEHRU

WE have met here at this delectable spot to carry on some work that we had been doing and which was started at the instance of Shri Dhebarbhai, when he was Congress President. As you know, he is still in charge of it and is conducting the work of the Planning Committee. I think it was a very happy idea of his to have the Seminar here because, inevitably, meeting for a day or two in Delhi usually with so many other activities, it is difficult to concentrate one's mind continuously for any period. Now we meet here and we shall no doubt discuss various aspects of the problems before us. I hope that, progressively, we shall deal more with the practical aspects rather than with the theoretical. I do not, by any means, think that the theoretical approach can be by-passed. It is important that we should have clear ideas but the fact remains that there is a tendency always for theorising, for being rather idealistic in the things to be said. What is perhaps more important is the practical thing to be done and, if I may say so, to be done in relatively short and fixed periods of time. What I mean is, so far as the distant goal is concerned, I really do not know how the wisest man in the world can put down any distant goal for his country or his people. The world changes so rapidly and, in my own life time, it has changed so tremendously and not politically so much but for other reasons, for other things. Almost every word that I heard in my boyhood, has changed its context and its meaning today. All the text book economics of the 19th century, good as they might have been, have only a historic importance today, because not only the people's thinking has grown but facts have outpaced them. You may describe the facts as you like but it is a good thing to refer to the change of these facts by the tremendous bang of the atom bomb, the energy behind it and all that. It is good to realise that entirely new forces have been let loose and are at man's disposal, which necessarily make a difference to our thinking. Therefore, any firm, fixed approach, which does not take into consideration these dynamic

changes that are taking place, leads us to blind alleys. I am not personally so constituted as to make a doctrinaire approach to almost any problem. My approach is almost pragmatic, apart from certain basic assumptions, certain basic objectives that one has to strive for. This is more especially so in the present age of tremendous change.

Content of Socialism

Now, we discuss what are the contents of a socialistic society. It is a very important thing to discuss. Yet my mind does not function that way. Broadly, of course, we know we want a society in which everybody has equal opportunity, everybody can go ahead, everybody has a rising standard of living, where power is not concentrated and so on and so forth. But the moment you go much further than that,—in theory you may—you are trying to imprison your system for the future. You do not know what other things we will have, what are the forces at our disposal, what the world will be, what our neighbours will be. We are apt, in our thinking, to assume that the world will continue as it is. Now, that is not necessarily a correct assumption. When we think about the context of the socialistic society, we should give some framework to our thinking. But we should immediately come down to specific things. How are we to raise the standard of living of our people as rapidly as we can? How are we to approach this objective of everybody having the same opportunity etc., etc.? Why I say this is this. In effect, we may be thinking the same thing but we must think in practical and not in emotional terms. We tend immediately to get into an emotional approach to the problem—emotions are good—but then you start about arguing about emotions or the emotional approach instead of practical things. Now, today, it is patent that there can be no approach to either socialist society or to any other advanced society without certain material progress being made in India, without our production going up tremendously and being utilised rightly, without—in the final analysis, if I may say so—our food production going up. It is amazing, how at the present moment in India, the vital, basic importance of agricultural production and, more specially food production is the one firm thing on which everything has to rest. But it does not mean that other things are not impor-

tant. They are very important. But the other things do not come into the picture. Therefore, while we should discuss all these matters in all their aspects, we should try to come to grips with the immediate problems that we have to face.

Approach to Third Plan

We talk about the approach to the Third Five-Year Plan, which is very important of course, and we have been thinking about it now, say, for about a year at least, if not more. Now, that approach necessarily has something to do obviously with the objectives we aim at. But, I suppose, if you put down the objectives broadly, nobody here and very few people outside will disagree with the broader objectives, though not with the details about it. The differences come in as to what exactly we should do in the practical approach and what priorities we are to give. As the President just said, if we list and insist on doing a hundred things, the chances are that our thinking and activities will be spread out. Everybody will try to do everything. We have to concentrate if we want to achieve anything—one or two of them—and so we draw up the five-year plan which has necessarily to be more definite, more precise and which deals with the actual things to be done. In our First Five-Year Plan and our Second Plan, the general directions given about the future were, I think, quite good. We should add to them, if necessary. But the fact remains that the work of the Third Five-Year Plan will be not so much in the generalisation of that Plan, which of course should be there—naturally we have to generalise—but in the specific, coordinated plan that is placed before the country and before the world. Obviously, the Plan means something that is developing, growing, resources growing, the implementation of our objectives coming up and so on.

Resources

When we think of our resources, we have to think not of the resources as they are today but as they develop from day to day as the Plan progresses. If our Plan does not increase our resources, the Plan fails, the Plan is futile, however good it may be. The main purpose of the Plan is to develop our resources and thereby help us to achieve certain objectives. So the Third Plan will have to be a more

precisely dovetailed instrument of what we have to do and how we have to develop the resources and build up the foundations. That is, it will have to be something which looks a little far ahead. It might be called perspective Planning. When you deal with these things, a five-year period has no particular meaning. We have to look further ahead—not in details—but we have to look ahead, 10 years, 15 years, whatever it may be, then come back to the five years and then come back not to the five years but to one year and to know what to do in the next year and try to do it to the best of our ability. Otherwise, we will be spreading ourselves out and possibly not getting the full benefit of the time and energy spent by us. Now, we come to whatever we may discuss and decide. Ultimately the specific things, which you can say, have to be done in the next 12 months, in the 12 months afterwards and so on and so forth.

Preparation For The Plan

Before the five-year plan, the preparation of it does not emerge out of somebody's head like Minerva, or something out of the head of Zeus. It is the natural resultant of what we have done. We act upto it. If we do not go up to that stage, then we cannot jump over it. We will remain where we are. Therefore we have to build up from today for the five-year plan of our conception and every step has to be linked on to it. Everything has to be thought of in practical terms, apart from theory. Now many people are sitting here, Chief Ministers, the Deputy Chairman of the Planning Commission and others on whom the burden will fall of giving it practical shape. It will not be enough for me or for them to deliver a speech on the ideals and theories but they have to carry it out practically and they have to carry it out in a way, naturally, which is broadly acceptable to the people. There are limits beyond which you cannot force the people under our Constitution. I do not want to force them, of course. Therefore, we have to think of all these aspects.

Major Considerations

There are two or three major considerations we have to keep in mind. One is, naturally that we have to face a situation where fairly rapid advance has not become a matter of choice for us, but is thrown upon

us by circumstances and by the compulsion of events. If we do not do that, well, we simply run the risk or danger of sinking in mid-stream. That aspect has to be borne in mind. It is not a choice so much of going at three miles an hour or four miles an hour or five miles an hour. If I may put it in that way, unless you go at a certain speed, something overtakes you and overwhelms you. If you are trying to escape, let us say, from the incoming tide, you have to go at a certain pace. Otherwise, the incoming tide overwhelms you. If you say, "I will go in a leisurely way," it does not help. The tide is coming. Therefore there is a certain element of speed and compulsion of events about this. The compulsion comes from various factors, partly from the growth of the population; partly from the very legitimate desires of the people to get rid of their sufferings and poverty and their disabilities, but partly also from social factors, economic factors, population factors etc. The compulsion is there. Well, how are we to do it? After all, there are, whatever the compulsions may be, certain other obvious compulsions or limitations. We cannot indulge in wishful thinking. That is where I suppose the essence of planning comes in. How far we can do it and give practical shape to these wishes and so on. That requires a certain background in the country, preparation of the people who are trained to do it, and resources and all that.

The Trained Human Being

In the final analysis, I believe, in any country the only basic resource is the trained human being. Almost everything follows from that. Of course other resources are necessary. But the trained human being is the basic thing in a country. We see countries, which have been devastated in war, being built up in a short time, because of this trained human being and hard work put by these groups of human beings. And training is a thing which takes time—especially the training of the specific individuals who have to perform trained tasks. Looking at it from that point of view, the most important thing becomes education at all grades and at all stages.

We should get trained men to do the job. If I have to say in one word what is wrong with agriculture in India, I would say it is the complete lack of anything that might be called scientific agriculture. When I say that, I do not mean big tractors and all

that, not at all, not high mechanisation. I say it is the lack of our people utilising the simplest forms of scientific agriculture. That means training all over becomes essential. You can give priority to it, if you like.

Giving Relief

Planning will mean trying to make out what are first and second steps leading to certain goals upto the point where the process becomes more or less automatic, self-generating etc., etc. Now while we do all these, we have to think of the people generally. What I mean is, both from the point of view of what we do—being right in itself—and from the point of view of the feelings of the people, you have to give them relief. Relief where? What are the essential things in which you can give them relief so that they may have a sensation of their conditions being bettered, of their going ahead. You cannot ignore that and while you should see that, we have to go through a period of difficulty, austerity, abstinence—call it what you like—in order to build for the future. It is rather odd for us to go to a poor man who has always lived at the margin of subsistence and talk to him about austerity. It looks very odd. We have to give him something. We can't give him much till we make good in other fields. But something we have to give. What are those minimum requirements that we should supply to him? That is important. I think that these matters should be calculated precisely, not in a general way, of course, because everybody can calculate in a general way. All these things require that we state precisely what in the next twelve months, what in the next 24 months we should try to do. What I suggest is that before the Third Plan begins we prepare far in advance of the Third Plan, what the Third Plan should provide as the minimum of things required by the people in this country. Therefore, if I may respectfully suggest to you, having covered the grounds of idealistic approach to these problems which are important, you should immediately get down to the practical problems, and what we ought to do within fixed periods of time.

Definite Targets

The next question of course is the preparation for the Five-Year Plan, which is going on in various ways

and which has made, I believe, some progress, that is, in so far as a coordinated approach to the various aspects—industry, agriculture and all the rest, transport, education and trained human beings etc. etc.—is concerned ; we have to see the entire picture; probably, I am afraid, we are not in a position to see the entire picture of it. Then the other most important thing is, I repeat, those precise things that, within a period of time we should do. In the Five-Year Plan too, I think it will be important that definite targets should be laid down for every twelve months. In regard to the facilities and conveniences that we give to the public, we should try to give to the public the achievements in various stages. There is no difference of opinion about many important and basic things. The difficulty comes in implementing those things about which we agree.

Spirit of Work

Take agriculture. Surely, everybody knows what should be done to agriculture. I am not at the moment going into the cooperatives etc., which, of course, are important. But I would say how to treat the land. Everybody knows, how the yield per acre can increase, whether it is proper, regulated water-supply or better seeds or contour-bunding or fertiliser or green manure or compost, if you make a list of it. You are all making a list again and again. Everybody can do it. There is the entire 100 per cent agreement. We know what should be done. Then the discussion part comes in. How to get things done ? It can only be done not by exhortations from above, but by doing it and by the farmer realising or knowing what to do and by somehow doing away with the gap that exists between the administrative apparatus and the agriculturist or the apparatus of those who give good advice and those who do it. There is that gap between those who give good advice, whether they are in the administration or outside the administration, and the farmer who does it. The farmer can be helped in many ways. But I feel the best way to help the farmer is to do the job oneself, before his eyes, with him or without him, for him to see. When I come back to this, the whole success and failure of all our planning hangs by that single thread of our agricultural production and specially food production. I have no doubt in my mind that agricultural production and food produc-

tion are going to go up very fast and surely, I am convinced. I feel I am convinced that these things are going to happen. I cannot say in percentages. But in fact, for a variety of reasons, I say this that at long last, our government apparatus has realised this. The top officials did not concentrate on it as they should have done. Officials and others did their day's work without the spirit of doing it. Whether it is day or night, they have to do it. They have to work all night if necessary. They have to do it with that kind of spirit. Then the farmer, I think, is realising it too. That is much more important. He is realising it and so, on both sides, this realisation having come, there is also a third thing. The gap that I talked about between the advising apparatus, the exhorting apparatus and the functioning apparatus, is lessening. That too is an important factor. I think that whatever the failings that we have seen—they are many—in the Community Development organisation, it has done a very big job of work, a very big piece of work. But taking all in all, it has done a very big job of work in awakening the spirit of the farmer, not in the building of roads. I say so with definite qualifications. But, nevertheless, it has done a big job and it is coming to grips. There again it depends on the human factor, not on your resolutions or my decision. It depends on the human factor. How does the Block Development Officer function, how does the Gram Sevak function : these are the lynch-pins, not the top persons issuing orders, or circulars and questionnaires.

Nagpur Resolutions

Now we come to what the Nagpur Session put forward and which no doubt you have considered.

The first resolution is, of course, about giving a great direction about planning, which shows the way in which you should think and go. Quite rightly, again without dogmatising, without a doctrinaire approach, without making a rigid approach, it has nevertheless indicated the broad line of approach. Then there is the second major resolution which was about the land reform, cooperatives and the like, which is of very great importance. And we have to go ahead with it. Now we talk about cooperatives and discuss them in various ways. Again we come to the basic point of trained human material. Unless

that training is given, your experiment may not succeed. No such experiment succeeds by itself. It is the human beings who work it, who have to be trained for it, apart from the basic conditions of character and all that, which we seek to give through educational processes. Now, take these cooperatives. The position, I understand, is this. There are only two States at present and may be, two and a half States, if I may use that word, which are relatively advanced in this matter—Madras, Bombay and half Andhra, which used to be Madras (Laughter). The cooperative movement has got a firm foundation only in these States. I have no doubt they may be good. What about the others ? I do not know. The first thing that others have to do is to train people in cooperation. No amount of propaganda will do good. It is only by example that we can convince others. Therefore, it becomes a question of setting up these cooperatives, widely distributed over the country. The farmer can see how they are functioning. Not one or two. There will have to be a large number, at least one in each Block in the country. Concentrate on that, concentrate in the right way, not in the official way ; but the people have to choose good areas, good blocks, good group of villages and so on. Anyhow what I am venturing to suggest is that this Seminar will have to come to grips with specific things that can be done in the space of one year, two years and three years and give them that priority. Something has to be done. Suppose you want to train for cooperatives, it has to be done. And the State that does not do it fails in that measure. May be, I am not, in that sense, very practical. But I have no sensation, or very little sensation, of having to face an impossible task. I don't have that sensation. I think it is a difficult task, but a task that can be faced with some confidence of achievement. I think we can achieve and I think we will achieve it, if we try hard enough naturally and if we pull our weight. Our attention is diverted so much to the minor issues, important as they may be. Nevertheless they are minor issues. We cannot concentrate our thinking on everything. It would be, I take it, one of the tasks of this Seminar to concentrate on the major things and not on too many other things. Now one aspect we have decided ; we have firmly resolved to encourage the cooperative movement in this country and to have service cooperatives leading up ultimately

to joint farming in those cooperatives and ceilings etc. Just one aspect about this. We do this not only because we think that this is a better way of organising, a more just and equitable way, but also because, finally, it produces more. That is the test. We cannot get over it. That is the final test. Now, inevitably, we have to realise that normally any changeover for the moment may cause a setback in production. It is an important factor to remember. If you fail by that test, we have a setback not only for the practical reason that a setback is harmful. Even for psychological reasons, it is still more harmful. That aspect has to be considered carefully, namely, that the steps taken do not force a set-back in production. There may be forces—there are forces—which will work for such set-backs just to show that the new policy one is pursuing, is wrong. There may be forces which may come just to show that the new policy ought to fail. We have to face that too. But anyhow, we have to keep in view that a purely rigid approach in any of these matters does not lead to even a temporary set-back which will rather produce bad results. I trust and hope that our labours will be productive of helpful thinking and take all of us in the direction in which we should go.

(Text of the inaugural address delivered at the Planning Seminar organized by the All India Congress Committee at Ootacamund, on 30th May, 1959).

TASK BEFORE THE SEMINAR

SHRI U.N. DHEBAR

THIS Seminar is the result of a sub-committee appointed by a resolution of the A.I.C.C. at Hyderabad. It was a non-official resolution accepted by the Congress Working Committee. In the course of the last five months, this committee, since its establishment, must have met nearly a dozen times and as Panditji has just now said, we have covered a vast area on the theoretical side and certain broad issues have come to light. Those issues are before you now. All those issues have been summarised in a note I submitted to the A.I.C.C. I do not want to review them in detail.

The discussions in the sub-committee revealed broadly the most important aspect of our planning to which just now Panditji made a reference. Ultimately the success of the Plan depends upon two things—the quality and the training of the man—and there is such a leeway to be made in that respect. Our schemes can succeed only to the extent we improve the quality of the material that has to implement the Plan. This is possible only through example, education, and better equipment. The other thing these discussions disclosed was an atmosphere in the country of dependence upon the Government for everything. The third thing is that democratic planning has no meaning if it has not the support of the masses in thinking and in working out the Plan. That means the major burden has got to be shouldered by the people through their own initiative and through their own resources.

Our discussions also revealed that the chief problem was the problem of agricultural production. We cannot move an inch forward unless we attain results on that side. Finally there was the aspect of unemployment and the need, from the point of view of maintaining the morale of the people, to reach employment to the people at the places where they are living. Then, of course, there is the need for a national minima. All these are finally dependent upon the speed with which the whole economy is

strengthened basically. We cannot expect to fulfil any of the previous four or five things that were mentioned, unless there is that basic strength and support given to our economy by an increase in agricultural production and a reorganisation of our industrial structure, beginning from the basic industry to the capital goods industry and so on. This was, generally speaking, the result of the discussions that we had so far.

We are now entering into the second phase of our discussions and that is to concretise our thinking and reduce it to practical aspects of the problem, with an eye upon what is possible with the material that we have—the human material, the physical resources that we have and other limitations under which we are working, and also the consideration that we cannot afford to mark time. We cannot afford to take things complacently. We have got to march at a certain pace or speed. It is again a question of balancing the whole thing. We are, therefore, grateful to the Congress President and Panditji for directing our attention to the need now of relating our discussions to the practical problems that we are called upon to face. When this committee was appointed, it was also clear to us that we were thinking in terms of a national plan. We do not want to impose our views upon the Planning Commission or the Government of India. We have requested their cooperation in the matter on the distinct understanding, on the assurance that nothing that we say here or nothing that they say here should be meant to convey the impression that the party is inclined to usurp the functions of the Parliament and the nation, as a whole. I am repeating this with a view to dispelling any doubt in the mind of anybody, because the Prime Minister is here and other Ministers are here and other people are here. I requested their assistance in a spirit of humility.

Now we shall enter upon the discussions. Well, how shall we proceed further in this matter? Some of us have been working on this thing for months past. There are some friends here who have come at our invitation. We are thankful to them. We should like to hear their views also. The Prime Minister just now remarked that the most important aspect of the Seminar should be to concentrate on certain facts and on certain problems and

give some kind of an inkling of our mind as to how we should approach them from the practical angle. You have got a tentative, if I may say so, distribution of subjects. It is tentative in the sense that ultimately the Seminar, all of you here, should finally decide upon the programme of the Seminar. I have suggested that we divide the consideration into five subjects. There are, before you, the papers on the approach, implications, the resources, wages, price and income and institutional changes. Now if you all agree to this division, then the next question will be, after we have heard the general remarks of our friends who are now with us, to proceed with the work on that footing. I have another suggestion to make. In this Seminar, we concentrate on section No. 1 and for the purpose of this Seminar, we all sit together and have talks across the table on Section No. 1. Other sections can hold the meetings separately. But the bulk of the time we can give to this basic thing which is really the basis of the Hyderabad resolution—the approach to the Plan. The other sections may meet according to the convenience of the members of the Seminar. These are my suggestions. Now, if these two suggestions are acceptable to you, then we can convert ourselves into the plenary committee.

(From Chairman's opening speech at the Ooty Seminar on May 30, 1959.)

Section—1

APPROACH TO THE THIRD FIVE-YEAR PLAN IN THE LIGHT OF THE COUNTRY'S MARCH TOWARDS A SOCIALIST SOCIETY

DR. V. K. R. V. RAO

THE Third Plan should begin with a clear statement of its objectives, then go on to outline the implications of those objectives in terms of its magnitude, investment pattern, institutional changes and policy requirements, proceed from these to an analysis of the possible ways for obtaining the necessary resources, and conclude with an exposition of the essential conditions for success by ensuring both mobilisation of resources and implementation of the institutional and action content of the Plan.

The approach to the Third Five-Year Plan can, therefore, be conveniently dealt with under the following heads :

1. Objectives of the Third Plan.
2. Magnitude of the Third Plan.
3. Pattern of Investment.
4. Institutional Changes.
5. Policy Requirements.
6. Mobilisation of Resources.
7. Conditions for Success.

Objectives of the Third Plan

Improvement in living conditions especially of the masses who are existing to-day at or near the poverty line. Obviously this means a substantial increase in the production of mass consumption goods and services.

Provision of employment to as many as possible of the unemployed. The unemployed include the back-log of the unemployed spilling over into the Third Plan period, additions to labour force due to increase of population in the Third Plan period, and additions to the unemployed due to the disguised unemployed now emerging into a state of open or recognised unemployment by their new search for

gainful employment. Obviously, increase in employment also means increase in production.

Reducing the volume of under-employment prevalent especially in the agricultural and allied rural sector by provision of gainful work either part-time or whole time depending on the nature of the under-employment. This should also mean increase in production.

Raising the productivity of the employed persons either by improving their equipment or by giving them additional equipment, including equipment to those who have none at all at present, or by arranging for a better and/or fuller utilisation of their equipment. This should also lead to increased production.

Raising the productivity of the employed persons by providing them with technical skill or improving the technical skill they already possess. This should also lead to increased production.

Raising the productivity of the employed persons by improving the organisation of their work and the adoption of suitable incentives to efficiency and deterrents to inefficiency. This should also mean increased production.

Increasing agricultural production to the extent needed not only to meet the needs of the population at existing levels of consumption but also for meeting the increase in demand, both for marketed and non-marketed output inevitable on economic development with its increased investment and increase in income and demand. In addition, increase in agricultural production is required for building up that marketable surplus without which there can be no development of either industrialisation or of social services. Increase in agricultural production is also required for building up the nation's investible surplus, and therefore its capital formation, as it is not possible to build up capital on the scale the country requires without the agricultural sector contributing its share. Finally, increase in agricultural production is also required for building up exports and thereby converting domestic savings into foreign exchange receipts. It is clear that all this requires a substantial increase in agricultural production, something of the order of say 50 % in the next five-year period.

Increasing the production of the capital goods and the technical skills necessary to enable the economy

to stage a take-off from its present state of underdevelopment and acquire the capacity for self-generating and self-accelerating economic growth. This means a rate of economic growth that will look after the requirements of the increased population, make for some improvement in the present admittedly low levels of living of the vast masses of the people, and provide the surplus that will enable the economy to have an accelerating growth in capital formation.

Decreasing and ultimately eliminating the country's dependence on other countries either for capital or even for crucial supplies of either equipment or skills needed for economic development. If this is not done, not only will the country be confronted with balance of payments and transfer problems for a long period in the future but also it will be exposed to the risk of having to accept foreign influence and guidance of its international and even domestic policies.

Taking the country forward in the direction of a socialist society. It is important to state that this is an independent—and indeed a vital—objective, because it is not enough to increase production, employment, and capital formation. It is also important to establish a just and decent society—one that will not only be desirable in terms of absolute values, but will also provide the incentive required for the release and utilisation of the productive energies of the masses without which, in fact, it would not be possible to have a rapid rate of economic growth. Thus the production and consumption pattern envisaged in the Third Plan should involve the following :

- (a) reduction in inequalities in income and wealth.
- (b) reduction if not actual elimination of all types of unearned income, functionless income, monopoly profits and the like except to the extent considered necessary in the larger interests of peaceful social progress.
- (c) lifting up the low income groups and giving them an opportunity for economic and social advance by award of special scholarships, undertaking special training schemes etc.

- (d) raising the levels of living of the low income groups and attempting to secure a national minimum not only by increasing employment but also by giving priority in the production programme to the consumption needs in terms of both goods and services of the low income groups over those of the upper income groups.
- (e) enforcing economy and conditions of austere living in all sectors of the economy, public and private, with exceptions, if any, only in the matter of consumption intended for the community as a whole and especially its more handicapped sections.
- (f) extension of the public sector to all large-scale production and regulation of the private sector of all small scale production.
- (g) giving an opportunity to workers, whether in industry or in agriculture, to participate in the management of their production units and sharing in the gains from increased productivity.
- (h) changing the organisational and institutional pattern of economic activity in the direction of co-operative and social endeavour in the place of competitive and individualist endeavour, also promoting the opportunities for recognition of human worth and dignity and development of human talents and personality through co-operative, democratic and decentralised organisations of producers, traders, professional workers and consumers, and by a reorganisation of the educational system, cultural and social institutions and practices, and example set by those who claim the privilege of leadership in the society.
- (i) educating the various sections of the community in the meaning and implications of socialist society and orienting their behaviour in the light of this understanding.

In short, the objective of the Third Plan is to march towards the establishment of a socialist society in India, where there will be justice, equality, and individual dignity, where economic organisation will be democratic, co-operative and largely decentralised,

where the low-income group will have a better chance, production will be large, efficiency high, capital formation substantial, and the rate of economic growth and the pattern of investment such as to lead to the emergence of a self-sustaining and a self-accelerating economy.

Magnitude of the Third Plan

There are several ways in which one can arrive at the magnitude of the Plan. If the Third Plan is to provide opportunities for employment to the backlog of unemployed, normal additions to the labour force and emergence into the employment market of the hitherto disguisedly unemployed, the number of persons to be provided with employment will come to about 25 million persons, of whom 7 millions will be the back-log, 15 millions, additions to labour force due to the increase in population, and 3 millions additions to labour force due to changes in social and economic institutions and practices. Even if we assume an over-all average of Rs. 10,000/- per person for securing him gainful employment, the investment required would be of the order of Rs. 25,000 crores. Since this is an obviously impossible figure, it would mean that (a) a certain measure of unemployment would continue into the Fourth Plan period and (b) the nature of the employment available during the Third Plan period would not be such as to secure for every employed person a reasonable income.

Another way of looking at the magnitude is to follow the rate of increase in *per capita* income postulated for the Second Plan, i.e., 4% per year *per capita*. This involves an increase of 6% per year in the national income. If we assume that the national income in 1960-61 would be Rs. 12,500 crores at 1957-58 prices, then the income target in 1965-66 would be Rs. 16,727 crores or an addition of Rs. 4,227 crores. If we accept the Planning Commission's incremental capital output ratio of 2.6 for the Third Plan period, this involves a net investment (both public and private) of Rs. 11,000 crores. This figure is higher than in the Planning Commission's projections because of the higher rate of increase in population than assumed by the Commission. It would have been still higher but for the fact that national income at the end of the Second Plan is now not expected to reach the levels postulated in the Planning Commission's earlier projections. To this figure will have

to be added current outlay on development during the Third Plan period. Taking this figure at double the amount allowed for this purpose during the Second Plan, it comes to about Rs. 2,000 crores. The Third Plan then will have to amount to a total outlay of Rs. 13,000 crores of which investment will be Rs. 11,000 crores.

There is yet another way of calculating the magnitude of the Third Plan ; and that is to take up individual items of desired and priority investment and outlay and find out what they total up to. This has not been done so far in any detail outside the Planning Commission. Expectations are that even on a modest basis, taking into account the needs of investment for increasing current agricultural and industrial production, of investment for capital formation for accelerating economic growth, and of outlay on social services, the total amount required over the Third Plan period would be in the neighbourhood of about 12,000 crores.

All these estimates are, of course, highly conjectural and cannot be taken at their face value. What they do point out, however, is the order of magnitude of the investment and developmental outlay that would be required over the Third Plan period. Tentatively the magnitude of the Third Plan could be placed at about 12,500 crores, of which public investment would be about Rs. 7,500 crores, private investment about Rs. 3,500 crores, and governmental outlay on developmental services about Rs. 1,500 crores.

It must be added that these estimates are based on current prices and that they assume a pattern of expenditure that has been normal during the First and Second Five-Year Plan periods.

Pattern of Investment

Emphasis would be on the following :

(a) Agriculture

1. Production of irrigation and power facilities
2. Production of fertilisers
3. Production of machinery and implements required for agriculture
4. Construction of godowns and warehouses
5. Working capital for service co-operatives and joint farming societies

6. Credit for enlarged and more intensive agricultural operations.

Investment outlay should be such as to make possible an increase of not less than 40% in agricultural output during the Third Plan period.

(b) *Minerals*

Investment outlay will have to be much larger than that undertaken in the Second Plan period; and this should include also the manufacture of the machinery required for both an expansion of mining operations and an increase in the efficiency of existing mining operations.

(c) *Industry*

- (i) Production of machinery required for meeting the requirements of existing consumption industries and also of such other machinery as is required for bringing about an expansion of consumption goods and services for the purposes indicated in the objectives of the Third Plan.
- (ii) Production of the basic semi-finished and tool goods which can also be called developmental goods which are required for capital goods industries, consumption goods industries, construction work and possible export also, such as steel, coal, other fuel, power, cement, chemicals, etc.
- (iii) Production of the machinery which is required for making machinery such as heavy engineering works, the objective being to give the country capacity to produce with its own efforts the machinery required for making available existing as well as increased supplies of capital goods to its industry, transport, agriculture, etc. This would enable the direct conversion of domestic saving into capital formation and thus not only free the country from continuing dependence on foreign aid but also reduce the cost of economic development and extend the scope of the application of technology and use of machinery to all sectors of the Indian economy. This is, in some ways, the most vital part of the investment programme

from the point of view of placing the country on the road to self-generating and self-accelerating development.

(d) *Transport*

Investment needed to provide the extra capacity required in terms of rail tracks, roads, bridges, harbours, etc. as well as the transport units needed to utilise this extra capacity. To the maximum extent, the investment should provide for the domestic manufacture of the items needed for this purpose.

(e) *Construction*

Investment needed to provide the necessary construction for the public sector and the private sector, both for production and for consumption purposes. Obviously, the greatest economy has to be exercised in this field and care taken to see that the construction programme is well within the limits set by the supply of building materials in the Third Plan period.

(f) *Mass Consumption*

Investment needed to provide some conspicuously visible sources of mass consumption services in different parts of the country and particularly the securing of certain essential services for the masses in the rural areas. Here the limit to the investment will be set partly by the available supplies of the goods required for the purpose and partly by the extent to which participation by the masses is forthcoming in terms of labour and other supplies for the implementation of these projects.

The exact division of the investment programme among the various categories outlined above will obviously have to be done in the light of detailed data that can be available only to the Government.

Institutional Changes

The kind of Plan set out above with its socialist objectives and the magnitude and pattern of investment required to achieve them cannot succeed unless certain institutional and organisational changes are brought about in the country, both in the public

and in the private sector. Outlined below are the most important of these changes.

Public sector

- (a) The organisation of public services must be reoriented to provide for better recruitment, provision for adequate training and orientation after recruitment, preference for merit over mere seniority in determining promotion, adequate and speedy punishment for both inefficiency and corruption, encouragement of independent and conscientious expression of opinion on files by government officials, and chance for all classes of public servants to get a feeling of participation by being given the opportunity to make suggestions, hold seminar discussions and in appropriate cases experiment with new methods of work disposal.
- (b) Giving autonomy and decentralised direction to public enterprises with freedom to show some initiative and take some risks, even if it means some financial loss. Governmental control over public enterprise should take more the form of incentives and deterrents that will constitute the framework through which efficiency will be induced rather than centralised departmental control and direct and detailed instructions by Government. The essence of the efficient conduct of public enterprises is to see that the units develop a sense of responsibility, are not afraid to take some risk, are not bogged down by red tape from functioning with speed, and are given the necessary incentive to function efficiently and improve this efficiency.
- (c) Review the existing machinery for expenditure and co-ordination not only on unproductive or non-developmental expenditure but also on Plan projects and effect fundamental changes in this machinery in the light of the findings of the Estimates Committee on different Ministries and of the different reports of the Committee on Plan Projects.

- (d) Appropriate division of functions and responsibilities between Ministers and officials on the one hand, and between Ministers and Ministers on the other.
- (e) Re-examination of the activities now undertaken by Government especially in the cultural, educational, research, and information fields with a view to seeing how far they can be efficient and economic when performed by Government and devising ways and means for passing on to non-official organisations such of these and other functions as they can undertake with efficiency. This is particularly important because with the coming of independence, non-official initiative, enthusiasm and participation have largely declined mainly because of the spreading out of official initiative and action on all fronts.
- (f) Reduction and ultimate elimination of the current dependence of the public sector for its expertise and for management on capitalists, and persons drawn from the private sector who are steeped in the ideology of private enterprise and have no use for a socialist society. To some extent, this is true even of the public officials who are entrusted with the management of public enterprise. It is imperative, therefore, that in the management and operation of public enterprise, the persons chosen for this purpose are drawn from socialist cadres or are given an appropriate socialist orientation and training in socialist ideology and obligations. In the absence of this provision, extension of the public sector merely strengthens the forces of private enterprise and capitalist economy.
- (g) Reorganisation of the organs and administrative staff of local authorities such as Corporations, Municipalities, District Boards, Taluka Boards and Village Panchayats with a view to equip them with the capacity to run economic enterprise, plan development projects, and operate them with necessary public participation.

- (h) Provide for education and understanding by the public of the economics of public enterprise and creating organised bodies of vigilant citizens who will constructively view and comment upon the activities of public enterprises.

Private Sector :

- (a) Encourage the formation of organisations of producers in various fields, regionally and industry-wise, so that organised channel of communication is available both for helping them and regulating their activities. Such organisations, to be effective, must cover the bulk of the persons involved and deal purely with functional and technical questions. The organisations could be used for formulating production norms, raising productivity, organising marketing, starting research, and encouraging exports. With proper organisation and orientation, they could also help in maintaining ethical standards and discouraging black marketing, evasion of law and corruption.
- (b) arrange for worker-participation in management.
- (c) promote the organisation of co-operatives in the private sector, especially in the field of consumption in urban areas and in that of production services in the agricultural and cottage industries sector in rural areas and in the small industries sector in urban areas.
- (d) promote measures for standardisation of output and elimination of the waste due to multiplicity of forms of output and of competitive advertisement.

Policy Requirements

Institutional changes alone are not enough. Certain important policy changes are also required, the most important of which is the preparedness to go in for price control of essential commodities with controlled distribution and statutory rationing accompanied by a firm and determined policy of enforcement of controls and detection and punishment of black-marketers and law evaders irrespective

of their social or economic or even political status. This would probably mean some amendment of the law with a view to speed up procedures and strengthen punishment, but it has got to be done.

The second important change required is the adoption of a policy of at least some measure of toughness in regard to the implementation of the Plan. Estimates are exceeded, implementation is delayed, elementary mistakes are made, and unnecessary difficulties are created, and yet there is no location of responsibility, no publicising of the offences committed and no punishment of the offenders. It is true that one should take a compassionate view of human weaknesses, but if mistakes involving considerable waste of public funds or resulting in other kinds of substantial loss to the community at large are left without some measure of punishment, then there is no escaping the general fall in morale that takes place in the Plan-implementing machinery. One reason for the fall in standards of conduct and therefore of performance, in the country, has been this policy of softness based on weakness; if it is not changed then the chances of raising the levels of performance during the Third Plan period will be seriously jeopardised. Side by side with this there should be a willingness to recognise and reward action and conduct in the Plan area that shows a higher level of performance than normal. Unless Government adopts a firm and unambiguous policy of rewarding the efficient and penalising the inefficient, it would be difficult for them to put through an economic Plan of the magnitude contemplated and secure its efficient implementation. This requires a change in the policy they have been following so far in regard to the Plan.

A third policy change which is required is to go in for austerity standards in public expenditure and governmental consumption. Government must always bear in mind the fact that they are the government of a poor people and that a large part of the resources which they utilise for government expenditure comes from very poor people. Under the circumstances, for Indian Government expenditure to be based on standards more appropriate to the British or American Governments is certainly not consistent with a planned economy that seeks to make maximum use of inadequate mobilisable resources. There is

practically no field of Plan expenditure where the charge of extravagance in this sense, viz., adoption of standards disproportionate to the national level of living, cannot be made. This is one of the major reasons why the appeals of leaders for austerity and saving on the part of people at large has not made much effective impression. With a much larger Third Plan and therefore a much greater need for austerity and saving on the part of the people, it is imperative that Government and the public sector must give a lead in regard to the adoption of austerity and utility standards of expenditure.

Mobilisation of Resources

It is obvious that an unusually large effort will be required if we are to find the resources for a Plan of the magnitude that has been outlined in Section II of this note. The tentative estimate suggested therein is investment outlay of Rs. 7,500 crores in the public sector and a developmental outlay of Rs. 1,500 crores in the public sector, the two making a total of Rs. 9,000 crores of expenditure by Government during the Third Plan period as against a possible expenditure of about Rs. 4,500 crores during the Second Plan period; in addition, the nation as a whole will have to find an investment outlay of Rs. 3,500 crores for the private sector as against an estimated outlay of about Rs. 2,400 crores during the Second Plan period. The scale of additional effort in mobilisation of resources that the Third Plan would involve is rather terrifying.

Resources required for the Plan can broadly be classified under the following heads:

- (a) imports of goods
- (b) imports of services
- (c) domestic capital goods
- (d) domestic tools or developmental goods
- (e) domestic consumption goods
- (f) domestic skilled labour
- (g) domestic unskilled labour.

There would be a certain amount of cross classification and double counting in the items listed above; but it is useful to look at such a list from the point of view of mobilisation of resources.

Broadly speaking, all the categories of resources listed above are bought and could, therefore, be integrated into a financial magnitude. The finance

needed is obtained either by the creation of obligations as in the case of foreign loans and credits or domestic loans and savings or by giving a *quid pro quo* as in the case of foreign exchange obtained by exports or domestic finance obtained by sale of goods and services by the public sector or without a *quid pro quo* as in the case of tax receipts.

Taking foreign resources first, there are definite limits to the resources we can raise by the creation of debt obligations to the foreigner. Goods bought with foreign credit usually cost more, and even loans obtained from governments usually carry certain strings either in the form of the kind of goods purchased or the source of purchase or the agency used for transport; in addition, of course, there is the indirect influence on national policy. There is also the fact that standards of pay scales, residential accommodation and other components of expenditure incurred through the expanding of foreign loans are much higher than their domestic counter-parts and this leads to a demonstration effect within the country that is certainly not conducive either to austerity or to economy or to saving. Above, all, there is the crucial factor of the country's ability to repay the foreign loan or credit and repayment has to include both interest and capital. It is true that foreign loans, if invested wisely, economically and efficiently, will increase national output and presumably, therefore, the country's capacity to repay. But repayment of interest and principal of foreign loans requires that an equivalent value of increase takes place in the country's exports and this does not necessarily follow. That is why we get what is called the "transfer problem." This does not get solved by the provision that payment will be made in domestic currency as in the case of P.L. 480 loans for example. If the domestic currency thus acquired by the foreigner is not used by him to export goods and services, he is able to acquire a rather large influence within the country because of his holdings of domestic currency; even if he lends it to the local government,— as is largely done with P.L. 480 rupee funds—, the loan has to be repaid and repayment creates the same problem of either increasing exports or letting the foreigners have the opportunity to exercise an undue influence on the nation's domestic affairs. Taking all these factors into consideration, it must be firmly recognised that, even if

foreign loans and credits are available on top, there is a definite economic and political limit beyond which they cannot and should not be used and that, therefore, foreign aid offers no escape from the hard problem that mobilisation of domestic resources on the scale required presents to those in charge of the Third Plan. This does not mean that the country should not go in for foreign loans at all. Talking in those terms is nothing but setting up a straw man and then knocking him down. What is argued here is that there is an economic and political ceiling to the foreign aid that can or should be used during the Third Plan period. I would place this figure net at not more than Rs. 1,500 crores including private capital or gross *i.e.* including repayments due during the Third Plan period, at not more than Rs. 2,000 crores. If we assume that the bulk of the net figure of Rs. 1,500 crores is available to the public sector—say Rs. 1,300 of the 1,500 crores—that will still leave a total of Rs. 7,700 crores to be found by Government, of which Rs. 6,200 will be needed for investmental outlay and Rs. 1,500 crores for developmental outlay.

The other fact to remember is that there are broad limits beyond which it is not possible to raise additional resources by taxation. It is true that the agricultural sector is comparatively under-taxed at present in comparison to that it had to pay in the pre-independence period or in comparison with the additional imposts that have been levied on urban and non-agricultural income since independence. While some increase can be effected in the taxation of the agricultural sector, there are definite political limits to the amount that can be thus raised. I would hazard the guess that we are not likely to see an addition of more than Rs. 200 crores from additional agricultural taxation during the entire five-year period. Direct taxes on non-agricultural income also do not present much scope for additional taxation, not because of political reasons but because they are already heavily taxed except perhaps in the case of incomes below Rs. 2,000 a month. If our income tax rates are changed to bring them more in line with foreign practice in the case of the lower income categories and some marginal additions are made to the rates on the upper income group and special taxation imposed on unearned incomes, even it is then not likely that additional receipts during the

entire Third Plan period will exceed Rs. 200 crores. We are then left with indirect taxation, mainly excise duties and sales tax; and if sufficiently large additions are made both to the range and the rates of these taxes, we may get an additional income of Rs. 600 to 900 crores during the Third Plan period. Adding another 100 to 200 crores for miscellaneous taxes, it is possible to obtain from Rs. 1,100 to Rs. 1400 crores by way of additional taxation during the Third Plan period. Adding another Rs. 800 to 1000 crores by way of normal increments in revenue due to the increased national income to which the existing rates of taxation would apply, we get a figure of Rs. 1900 to Rs. 2400 crores as possible additional receipts from the tax system during the Third Plan period. That still leaves Government with the need to raise from Rs. 5300 to Rs. 5800 crores to fulfil the investment and developmental outlays during the Third Plan period.

Another source of finance would be the profits of State enterprises. Railways are already a known factor in this respect; there are a number of industries in the public sector from which it is possible to obtain a substantial amount of revenue, provided, of course, Government recognises and acts upon the principle that price policies in the public sector should be such as to yield a planned profit which will include not only depreciation but also a contribution to the maintenance expenditure of the State and an element of surplus for capital formation. Steel should be a good yielder of revenue in the public sector. Taking a broad view of the possible profit of public enterprise, one may hazard a figure of Rs. 500 to Rs. 700 crores under this head.

Then there are the likely profits from State trading. At present, State trading is confined to a comparatively narrow sector; this needs to be expanded a great deal not only for securing a larger mobilisation of resources but also from the point of the view of proceeding towards the establishment of a socialist society. To-day, due to import control and the large unsatisfied demand for imports that accompanies it, very large profits are being made by the traders in imports and there is no reason why this by-product of planned economic development should be left to be enjoyed, by private individuals. State trading could

also be extended to some of the more secure and stable exports; this would not only lead to the accrual to Government of the profit from such export trade, but it would also enable Government to exercise a more effective control over the leakages in foreign exchange receipts that are inherent in its being left in the hands of private trade.

In addition, it is necessary for the State to take over the sale of luxury and semi-luxury articles of domestic manufacture as also that of certain standard goods produced by domestic industry. For this purpose a national system of chain stores should be instituted. Such a net work of State Stores functioning in all the major towns would not only enable Government to earn large profits, but would also give them a strategic control over the production, pricing and consumption of articles of a luxury and semi-luxury character as also over that of standard articles of domestic manufacture. In fact, the same chain of stores could also be used for the sale of imported commodities.

Estimating the volume of resources that could be mobilised by State trading is very much of a guess-work; but if one were to hazard a guess, this could be placed at a figure between Rs. 500 and Rs. 700 crores.

Taking the two together, viz. profits of public enterprise and profits from State trading, it is expected that a sum of between Rs. 1,000 and Rs. 1,400 crores could become available to Government during the Third Plan period; the smaller figure is probably on the conservative side. This would leave the State with having to find between Rs. 3,900 and Rs. 4,800 crores.

Then there are loans and small savings. During the Second Plan period, it was expected that the combined figure under this head would be Rs. 1,200 crores; and though there may be some shortfall, it is not expected to reduce the figure below Rs. 1,000 crores. The corresponding figure for the Third Plan period could be placed at about Rs. 1,500 crores. That would leave a balance of Rs. 2,400 and Rs. 3,300 crores for implementing the development programme in the public sector.

If this balance of Rs. 2,400 to Rs. 3,300 crores is to be secured, it is necessary that (a) resort should be

had to somewhat unusual or unorthodox measures for mobilisation of resources and (b) resources should not be mobilised only in financial terms but should also be obtained in terms of the labour resources that are at present in a state of either unemployment or under-employment in the economy. In order that the latter can be done, it would be necessary to break up the investment projects into those which are essentially local in character in the sense that the main beneficiaries would be the local people and then estimate the extent to which these projects could make productive use of locally available supplies of labour. The value of this local labour content in local projects is not likely to form a major portion of the investments outlay; nevertheless, it will be a significant figure, especially in the Third Plan period when great emphasis is going to be given to agriculture, local developmental machinery has been built up over large areas, and where greater attention is going to be given to the mass consumption requirements of rural areas. One may perhaps place its money value at about Rs. 1000 crores during the Third Plan period taking together both rural and urban areas.

One method of mobilising a part of the entire labour resources of the country would be to impose a national development levy on the entire adult male population of the country of either seven days labour or Rs. 10 in cash at the option of each individual. The necessary registers for this purpose could be made at the time of the 1961 census and then used for the realisation of this levy during the Third Plan period. It is likely that the yield in money terms from this levy would not be less than Rs. 500 crores.

Then an attempt could be made to utilise the unemployed and under-employed labour resources in the rural areas by organising them through either panchayats or co-operative farms for local capital formation or production of mass consumption services and making some payment, if necessary, for this work. The money value of such free utilisation of unemployed and under-employed labour in rural areas is likely to be not less than about Rs. 250 crores or an average of Rs. 1000 per year per village.

In addition to all this, it is possible to raise a substantial volume of savings from the masses, provided there is an appropriate psychological base

to the same. If the psychological base is really sound and appeals to the deep and powerful motivations and desires of the people, then the money needed for savings will be set aside, even though it would not be savings in the sense of a surplus over satisfactory consumption. Two such basic motivations would be the desire to make financial arrangements for the daughter's marriage, and for the son's education. These motivations are very powerful indeed in all sections of society. If, therefore, endowment policies for the purpose are made available on a large and economic scale to both the urban and rural masses, and if an intelligently planned and nationwide scheme of marketing of this idea is undertaken, I feel confident that the response will be substantial. In addition to this, there should be a nation-wide scheme for selling life insurance to the masses. I expect that these schemes of endowment for meeting future expenses on marriage and education, and of life insurance could result in a flow of about Rs. 100 crores a year or a total of Rs. 500 crores during the Third Five-Year Plan period.

There would still be left a gap of between Rs. 1,250 and Rs. 2,050 crores. I think it is possible to close this gap partly by increasing the volume of public revenues by diminishing tax evasion and avoidance, and partly by decreasing the financial magnitude of the Plan without in any way affecting its physical magnitude by a thorough examination of all the components of the expenditure on each investment project and eliminating therefrom all frills, and other items not strictly needed for securing the functional efficiency of the project in question. Here again, figures are almost anybody's guess. If, nevertheless, estimates are hazarded, I would say that dealing with tax evasion and, more important, tax avoidance should lead to an increase in tax receipts by not less than Rs. 100 to 150 crores a year or a total of Rs. 500 to 750 crores during the Third Plan period; while a thorough-going scrutiny of all Plan expenditure with a view to eliminating therefrom frills, avoiding display, buildings and other non-functional expenditure and effectively applying experience of mistakes in one project to avoid the repetition of such mistakes in the case of other projects would give a saving of not less than 10% over the entire range of the investment outlay in the public sector, which means about Rs. 750 crores.

Summing up this very rough series of guess-work on the possible receipts from the different methods suggested for mobilising resources, we get the following picture :

1. Additional receipts from taxation including normal growth, increases in tax rates, new taxes and reduction of tax evasion and tax avoidance	Rs. 2,400 to Rs. 3,150 crores
2. Economy, without affecting functional efficiency	Rs. 750 crores
3. Profits from public enterprises	Rs. 500 to Rs. 700 crores
4. Profits from State trading	Rs. 500 to Rs. 700 crores
5. Loans and small savings	Rs. 1,500 crores
6. National development levy in cash and in labour-days	Rs. 500 crores
7. Mobilisation of rural labour surplus	Rs. 250 crores
8. Special endowment and insurance schemes for urban and rural masses	Rs. 500 crores
9. Foreign loans (net figure)	Rs. 1,300 crores
Total	Rs. 8,200 to Rs. 9,350 crores

This is as against an expected total expenditure in the public sector of Rs. 9,000 crores of which Rs. 7,500 crores would be investment outlay and Rs. 1,500 crores developmental outlay. I think the picture is not unsatisfactory, provided, of course, the policy of institutional changes outlined in previous sections are carried out and the essential conditions for success indicated in the following section are also fulfilled.

Conditions for Success

The discussion on the various facets of the Third Plan will really prove to have been only of an academic character unless the following conditions are fulfilled on the part of the parties and leaders in whose hands is the running of the country.

- (a) Personal austerity, dedication to work, and high moral character on the part of all sections of leadership in the country,

whether in the political or social or academic or cultural or economic field.

- (b) All-party agreement on the main outline of the Plan including objectives, magnitude, patterns of investment, and mobilisation of resources, so that the national will will be strong and determined and there will be no confusion or weakening due to divided counsels or political wranglings on Plan projects.
- (c) Readiness on the part of the political leadership to treat the Plan period as a state of national emergency and function, if necessary as national coalition governments both in the Centre and in the States with whatever amendment of the Constitution is necessary to enable the effective implementation of the Plan.
- (d) A vast programme of education on the content, causes, and consequences of the Plan and the socialist pattern of society and their implications in terms of individual and collective behaviour.
- (e) Training of cadres who believe in the Plan, and its socialist ideology and are willing to put in dedicated work as was done in the old days of the struggle for independence by Congress workers.
- (f) Less reliance on the official machinery and more faith in the people and their voluntary organisations and non-official machinery for the purpose of implementing the Plan.

PRECONDITIONS FOR SUCCESS OF THE PLAN

DR. SAMPOORNANAND

(The following are remarks on Dr. V.K.R.V. Rao's note on Approach to the Third Five-Year Plan, which is published elsewhere in this issue. —Editor)

DR. RAO rightly observed that with all the goodwill in the world, there is a limit beyond which the official machinery at our command cannot ensure the success of the Plan. For this purpose we require an army of selfless public workers imbued with a missionary spirit and prepared to undergo every sacrifice, prepared to dedicate five years of their lives to the implementation of the Plan in letter and in spirit. In this connection he referred to the volunteers who flocked round the Congress flag in their thousands during our freedom fight against the British Government.

Dr. Rao's observations deserve serious consideration. The magnitude of the Plan in terms of money, the material targets which we propose to set before ourselves, the sources of revenue which we propose to tap, are, no doubt, all very important matters. But of even greater importance is the man for whom all this is proposed to be done and by whom all this will have to be done if it is to be done at all. We would be deluding ourselves hopelessly if we imagine that we have been able to awaken real enthusiasm in the people for our Plans. They have given *Shramdan* and will do so in the future. They will also make contributions to our Small Savings drive and yet remain almost passive spectators of, and indifferent participants in, the implementation of schemes prepared by those on top, even though these schemes promise things which everyone wants, namely, food houses, education for his children and so on. Dr. Rao's reference to Congress volunteers is apposite. Those men expected no rewards. The immediate prospect before them was imprisonment, fines, ill-treatment in prison, humiliation, *lathis* and sometimes bullets, and yet they came in their hundreds and thousands, ignoring all hazards, prepared to sacrifice

everything. The reason was that they had been touched by a message which lifted them above themselves. That is lacking in the present case. We speak about the good things of life but forget the simple psychological fact that one cannot raise a man above himself by lifting him by his shoe-lace. As a rule, men are not prepared to undergo sacrifice for the material things of life. In a word, where everything good, bad or indifferent sails under the cover of some ideology, we scrupulously refrain from appealing to our people on the ideological level. That is not the way to gain volunteers and workers of the kind envisaged by Dr. Rao. Under 1 (i) on page 2 of his note, Dr. Rao speaks of "educating the various sections of the community in the meaning and implications of socialist society and orienting their behaviour in the light of this understanding". What is the Socialism whose implications and meaning we want to sell to our people? There are many groups in the country which speak of Socialism. The Communists most certainly do so. They seem to have ready answers for every problem in the light of their philosophy and it is difficult for the ordinary Congress worker, even for many out-of-the-ordinary Congress workers, to stand up the flood of socialist jargon which even a half-baked Communist can pour out at the least provocation. Quite obviously, the Socialism that we want to inculcate is different from the Communist brand of Socialism. Equally obviously, it has to be understood in the background of democracy. Now, Communist countries also call themselves democracies; so the implications of what we understand by democracy are also to be brought home to the people. Does anyone really believe that Socialism and democracy as we want to develop them in India, can be fully explained and made acceptable merely on the basis of pragmatic appeal? I think such an attempt will end in utter failure. The only solid basis for democracy and democratic Socialism will be a sound philosophy having its roots in the basic concepts of Indian culture.

The other day the Working Committee passed a resolution about Tibet. In that resolution it made a reference to certain things which have come down to us from time immemorial and have become parts of our consciousness. This reference was heartening. I feel that if we addressed our appeal to the nation on the basis of those things which are the fundamental

components on which our whole attitude towards life is based, we would meet with success. People would get the inspiration that they need. They would see before them something that is worth living for, striving for and if necessary . . . dying for.

The Planning Sub-Committee is devoting a good deal of its time to working out details about the implementation of the Nagpur Resolution and the Third Five-Year Plan. All these are important things, no doubt, but I may be permitted to say that a good deal of this work can be done, and is being done at least partially, by other agencies, for instance, the Planning Commission, the Central and State Governments. But there is one thing which nobody else is doing and nobody else can probably do quite as well as the Planning Committee and this task of paramount importance which it should take up is the thinking out of a suitable philosophic basis for our national activities in all fields, political, economic, social and cultural. If something on these lines were done, life—individual and communal—would acquire a meaning and a purpose and our appeals which would naturally assume a different form altogether would be sure to evoke an enthusiastic response from those to whom they are addressed.

AN EXCHANGE OF VIEWS

ACHARYA VINOBA ON ECONOMIC DEVELOPMENT

SHRI U.N. DHEBAR

DURING my recent visit to Vinobaji at Pathankot, we discussed the question of unemployment. I explained to him the alternatives we have before us, and how each one independently has proved to be inadequate to curb the rising spiral. Deficit financing has reached a level beyond which we cannot go to a great extent. Creation of purchasing power which helped U.S.A. in the days of depression to create employment would not be equally effective in India because we have not the industrial apparatus to take care of rising demand for consumer goods. We are investing at a high enough rate and trying to augment production, but there is always a gap between investment and its returns. Moreover, the size of the problem is infinitely larger than the one that U.S.A. was faced with. I explained to him the normal economic approach according to which the unemployment and under-employment can only be tackled as the industries expand, wealth is generated and other sectors develop. I also explained to him the other steps which we proposed to take to enlarge the opportunities for employment. But that will not be able to take off the whole load. We discussed the possibility of enlarging the decentralised sector. He agreed that there was a limit beyond which the State cannot subsidise the cottage and small-scale industries. He, in fact, suggested that we have to see now how to make this sector self-supporting as early as possible. He then enquired if we had considered the aspect of reservation of fields of production. That took us to the discussion we had on the subject of common production programme. He felt that that approach was a limited one. He felt that he was thinking of a radical approach. He went on to explain that we should place the responsibility squarely on the Panchayats and other local bodies to provide employment. They

can do so in agriculture or processing industries. They can fix their own wages but the wages should not be lower than the minimum wages fixed for the area. He was agreeable, in fact he wanted them, to utilise power and improved tools. In that case these should be worked through cooperatives. These co-operatives may serve a village or group of villages. As soon as the Panchayat was ready with its machinery it should give protection against competition by goods of that category produced elsewhere. This should be made possible through a constitutional provision. He saw no harm in changing the Constitution in the interest of the nation. Here was, he felt, a critical situation and that had to be met.

We discussed the effect thereof on the large-scale industries which at the moment produced these goods, especially the labour that will be thrown out of employment. He was of the opinion that this was a difficult issue. We can export as much as we could. He said that the social and individual cost of the large crowds flocking to the urban areas has to be worked out. If that was done it would be clear that we have to stop this mad rush somehow. In a democracy we cannot adopt the measures which Russia and China adopted to stem the tide of people flocking to industrial areas. Once the Government showed determination in framing this policy, the labour which might be thrown out may find an outlet because of its skill in the village areas. Preference could also be given to them in the new industrial projects which might be started under the Plan. It might mean some additional expenditure on training.

He said, he was of the view as Bapu was, that like Navy in England, spinning and weaving should constitute our national avocation. They must be bestowed that honour. Every school child must know these arts. They may drop the practice after they leave the school. But those who will find them fruitful, will get some satisfaction that they are participating in a national endeavour even if they do not get a full wage. He considered that this is the only cheapest and simplest method of solving this problem.

I casually hinted at the experience in Gramdan villages. He replied that they were from any angle the most backward villages. We should not get discouraged by setbacks of that character.

COMMON PRODUCTION PROGRAMME

SHRI V. L. MEHTA

IN its section on State Policy in the Chapter on Village Industries, in the First Five-Year Plan, the Planning Commission had observed that common production programmes would have to be worked out for various industries. Among the elements that might enter into a common production programme for the related large-scale and small-scale industries would be the following :

- (i) reservation of spheres of production; and
- (ii) non-expansion of the capacity of a large-scale industry.

This view is endorsed in the Second Five-Year Plan in the following words :

“For building up a decentralized sector in modern industry, within the limits of technical possibilities, demarcation of spheres of production can be of material assistance to small units.”

Reservation of spheres and restriction of capacity have been accepted in theory as integral features of State Policy in the broad national interest. What that interest connotes is indicated by the social objectives of planning such as responsibility for finding work and for raising living standards. Production through cottage industries is promoted because it subserves these objectives. But, if such production is to be helpful to increasing numbers, the products have to be protected from the impact of corresponding products of large-scale industries and a proper atmosphere has to be created which serves as a stimulus to production. Hence it may be necessary to initiate measures which provide the necessary protection and incentive. The most important of the consumers' goods for which there is mass demand is cotton cloth.

In this field some experience has been gathered and some data are now available on the basis of which it is possible to indicate somewhat in detail the further course of action that is to be pursued in

the broader interest of national economy. An attempt was made in June 1956 to lay down a common production programme for the manufacture of cloth, indicating the quantum of production to be allocated to the large-scale industry and the cottage industry. The limit of production proposed for the large-scale industry was exceeded in the subsequent years, with adverse consequences for that industry. So far, there has been little, if any, growth in the per capita consumption of cloth as estimated, while the exports of cotton textiles are not of the order expected. Production of handloom cloth and Khadi has also, in the meanwhile, expanded. If it expands further, since there is accumulation of stocks of mill made cloth, difficulty is likely to be experienced in the marketing of the cottage industry product.

Inasmuch as the production of yarn with the aid of the Ambar Charkha is proposed to be encouraged as part of a planned programme for the expansion of employment opportunities, Government may take the decision that in all vocational or technical schools where instruction is imparted in handloom weaving, the yarn used should invariably be of the Ambar Charkha, if not ordinary handspun yarn. This will enable growing numbers of young men and women who wish to take to handloom weaving as an occupation to familiarise themselves with a raw material the extended production of which is part of our planned programme. If, besides, the use of the Ambar Charkha is also taught in these institutions, that will be an additional gain, for it will provide an elementary lesson in self-sufficiency for artisans engaged in an occupation where the volume of work available is dependent on the supply of the raw material by its competitive agency.

If the Ambar Charkha is introduced among families of Handloom Weavers' Co-operative Societies, the dependence on mill yarn will diminish. When the Textile Industry Enquiry (Kanungo) Committee reported in 1954, there were signs of a shortage in the supply of yarn available for handloom weaving. Licences for the installation of spindles came to be allowed freely for some time. No conditions of shortage had, however, developed by the time the Karve Committee, after reassessing the position, recommended that no more licences should be issued

for a year or two more. From recent surveys of the position it appears that supplies are more than adequate at present and that several of the parties to whom licences had been issued are unwilling or unable to set up new units or to add to existing capacity. In these changed conditions, Government may well take the decision that at least for the period of the Third Plan no addition to the existing spinning capacity should be permitted either in new or in old units unless the demand for handloom cloth expands beyond the proportion indicated in the Production Programme of 1956.

A similar major policy decision is called for in the matter of cloth production. No additional looms should be permitted to be installed. A reduction in the limit indicated in the Production Programme of 1956 has been recommended by the Second Textile Inquiry (Joshi) Committee. Adherence to this policy is necessary if, in response to the aids and facilities that are offered, production through handloom weaving industry is to expand on the contemplated scale. The sphere of competition should not be permitted to be widened by allowing textile mills to extend their productive capacity. Before rationalisation in the form of labour-saving machinery is introduced, an initial condition that has to be fulfilled is that steps are taken simultaneously for the absorption of the displaced labour in other occupations. But this process of rationalisation also leads to keener and closer competition with the handloom weaving industry. Hence, when rationalisation is introduced in the shape of automatic looms, it should be reserved for export purposes. In case the export trade does not absorb the products, they should be subjected to a special levy before being made available for internal consumption.

It is only in the field of production of *dhotis* and *saris* that some reservation operates to afford protection to the handloom weaving industry. It is now nearly a quarter of a century since, after one of the earlier Tariff Board inquiries, the mill industry was advised to go in for the manufacture of finer varieties of cloth. Although protection to handloom weaving industry may not have motivated the suggestion then made, it may now be urged that mills may be directed to desist from manufacturing coarse cloth of counts 4's and lower. The spinning of lower count

yarn or with the left-hand twist may also be prescribed. The availability of such yarn facilitates the production of spurious Khadi. To control the sale of such Khadi central legislation may also have to be enacted.

In the early days of the Civil Disobedience Movement in the 'thirties, Mahatma Gandhi was able to prevail upon the mill owning interests, as their contribution to the national campaign for Swaraj, to refrain from manufacturing Khadi which, in technical terms, is coarse cloth. In the interests of a nation-wide drive to provide employment through the intensive and extensive development of our premier cottage industry, the Government may insist upon the organised industry eschewing from their production coarse yarn as cloth, reserving that sphere for the handspinning and handloom industry exclusively.

As a corollary, it will be useful to view the problem of production of cotton from the standpoint of the decentralised production of cloth. Attention is concentrated at present on the growing of long staple cotton, since the mill industry has taken increasingly to the spinning of fine counts of yarn. Short staple cotton is being displaced, which process should not be encouraged in areas where handspinning is being developed for feeding the local handloom industry. Since the benefit of decentralised production is not to be confined to predominantly cotton growing areas, some means have to be devised to ensure the supply of the basic raw material for those who take to handspinning and weaving in areas of heavy rainfall where cotton cultivation is ordinarily ruled out. Some research work was undertaken by the Indian Central Cotton Committee in the growing of perennial cotton plants in the coastal areas of the country. Further research may be necessary to be followed by the offer of incentives to promote the growth of approved varieties of tree cotton (*deva Kapas*) in and around homes or farmsteads, both in towns and in villages.

It should be one of the aims of any programme of decentralised production to ensure that the products are consumed in the region of production to the extent possible. That is the basis of the functioning of the Intensive Area Scheme of the Khadi Commission or the Gramodaya Mandals associated with the

Gramdan Movement. But, when large numbers are induced to go in for productive work on the Ambar Charkha or on the handloom, the production that results may well be in excess of local requirements. For outside markets, the price of cloth that is charged has to include items of costs by way of transport and other essential overhead charges. New customers are no doubt being attracted to Khadi induced to buy Khadi because of its durability, its texture, as also out of appreciation of the social value of the product. In assisting in the organising of marketing, financial aid is indeed available from the State. Since the production of Khadi and handloom cloth is an integral part of the planned programme of production, it is desirable that the State should extend its patronage to the product by confining its purchases to these manufactures and thereby encouraging the public to do likewise as its contribution to the furtherance of an integral part of the National Plan.

APPROACH TO THE PLAN

SOME SUGGESTIONS

SHRI U. N. DHEBAR

ANY one who reads the Second Five-Year Plan will be impressed by two or three things. It reflects a genuine desire to build up the country's economy on the basis of certain social values. It shows how the authors of the Plan were anxious to avoid under-rating the capacity of the country in moral and material terms so that they could take the country fast enough in the direction of economic development. It also shows their genuine trust and belief in the will and desire of the country, the administration and the organisation to put in the requisite effort—intellectual, moral and material. In short we notice these two things about the Plan—a fair degree of optimism and trust in the country's desire to undertake the necessary burdens and their own faith in the soundness of their approach and the correctness of their assessment of the people's capacity. But for this they would not have been able to give to the country a chart of its future development for a period of 20 years.

Values and Initiative

In supremely great undertakings such trust and faith are indispensable. It will not be right to come to any conclusion which will militate against such faith and trust from the experience of the last three years. We are passing through a transitional stage. In the transitional period just as we should be prepared to expect occasionally some demonstration of over-enthusiasm and over-zealousness, similarly we should be prepared to expect the weaknesses of the past sometime getting the better of our duty and obligation to the future. I am, therefore, not inclined to draw any conclusion unfavourable to the original conception on which we based the foundations of our programme of development. But there are features noticeable in the social behaviour of our people and the economic conditions obtaining in the country which it would be pertinent to refer to.

I shall first deal with the tendencies noticeable at the social level. It was hoped that with the new, great and noble objective and a new purpose set before the people, the people will think in terms of the new life in the new context and try to assimilate the new ways of thinking and the new values on which that life was to be based. It was hoped that with the increase in the economic opportunities, they will utilise them to build up a healthy society and a healthy atmosphere. It was also hoped that with the increase in the opportunities for service of the people in the various directions, a new spirit of co-operation will be generated. Unfortunately, the situation has not been tending in that direction. On the contrary, we notice a definite deterioration in the morale of the people, and the tone of our public life is going down. This resulted in vitiating the atmosphere on the economic side too. It is significant to note that the setback in the morale and tone is more visible in the ranks of those who are better placed and who can afford to accept those restraints so necessary for the evolution of our new social order and contribute in their own way to the development of new social values. I do not want to approach the problem pessimistically. This may be a passing phase. But those who have to take decisions have a responsibility to watch every little ripple on the surface. We have to be cautious that we may not again lapse into a state of moral chaos that was a part of our history in the last few hundred years. We were accustomed to talk about big things, when our attitude towards life was becoming more and more negative. In the sphere of religion, we talked about renunciation and piety but we ended with inaction, ritualism and superstition. In the sphere of social life, we talked about great social traditions of India and ended with rigid casteism and fanatic communalism. They became the measuring rods of our social level. In the field of economy we fed ourselves on graft, speculation and exploitation regardless of the social consequences to the country as a whole. I am afraid that if we are not careful, the same thing may happen once again. We may continue to speak about high social values, but the picture that may emerge may be the same old picture—lifeless and negative in its content.

It will be inadvisable, therefore, in the conditions of India with its background of social and economic

weaknesses to take for granted that with the availability of increased economic opportunities of life, we will necessarily grow richer in the moral sense. Nor will it be proper to assume that we will, on our own, develop those tendencies which would help a co-operative existence. This is not to doubt the yearnings in us to respond to higher impulses of life. If there is any country in the world where the common man is thirsting to translate his noble sentiments into action in his day-to-day life, it is India. But the habits of centuries of thinking and living are so deeply entrenched in us that, whatever our intentions, we behave to the contrary.

Similarly, the working of the two Plans has also shown that, despite our intentions to the contrary, there is greater and ever-increasing dependence of the people on the State not only in relation to the major needs but for the normal needs which can be met with some effort comparatively easily through local initiative and through local available resources. Centralisation to some is, of course, necessary in the context of the present conditions obtaining in India in relation to some of the functions. It is also necessary to some extent to secure coordination which is indispensable if we are to put to the utmost advantage our scanty resources. But it needs to be emphasised that no rapid development is possible unless fullest use is made of the local material and man-power resources, unless local initiative is developed to the full and unless those functions that do not involve any major effort or big resources are tackled by the people locally. The whole purpose of democratic planning is to release and liberate the initiative of the people and open out avenues for utilisation of their creative urges. It was never our intention to spoon-feed the people. It could have proceeded only from a poor estimate of the quality of our men and women composing the broad masses of India. Nothing would have been more humiliating and derogatory for them. Nothing would have been more dangerous from the point of view of mobilising the spirit of enterprise of our people than that. It would have been evidence of poverty of our own vision. We were absolutely clear that no large-scale development was possible except through the effort based upon the spirit of enterprise and initiative of the people. As a matter of fact, the Plan made this clear in so many words. This also is, in a sense, the inheritance of the

past. Work and labour were discounted as jobs of inferior persons by the foreign masters and those who aped them. There was so much of exploitation of labour and neglect that people lost interest in it except to the extent that they were obliged to work to maintain themselves.

Both these tendencies are, therefore, as much the problems to be tackled as the problem of poverty and unemployment. They will not liquidate themselves unless the people are helped through positive effort to combat them and conquer them. Charged as we are with the responsibility of working out the programme which in bulk relates to meeting the material needs of the people, we cannot afford to reduce the emphasis on economic planning. But we shall have to emphasize in more positive and concrete form the values we intend the nation to assimilate the aspect of self-help and initiative.

The sum and substance of our country's political strategy during the last century and half has been to work for building up the strength of the people from within, by emphasizing the spiritual values and building up the strength of the people from without by fighting for social, political and economic independence. The emphasis was placed on both. The quantum of it varied according to the needs of the situation from time to time. The Plan, if it is to succeed, will also have to draw upon both these sources profusely. The problem of providing resources for the Plan, is difficult enough. But the more difficult is the problem to supply the type of man with the necessary qualities of head and heart who will work out the Plan. Gandhiji emphasized this aspect again and again. What counted with him was not so much the difficulty from outside, but the difficulty created from inside by the man himself. It was his view that the problems of the multitude were the multiples of the problems of the individuals. Especially, there was no short-cut to the solution of the problems of the multitude when they emanated from the individuals. He devised ways and methods to tackle the problems by tackling the man himself. If the man grew the country automatically grew.

Therefore, we should work from both the directions. On the wider plane, we should proceed with the Plan. But simultaneously we should take up the question of building up the inner strength of the

society. Both the processes will have to be actively helped and assisted. As regards the former, we have bestowed and will continue to bestow our serious attention. But as regards the latter, we have to bestow still more serious attention. The fundamental and long-term aspect of it can only be attended to through education. Our record in this direction requires more thoughtful examination. But there are other mediums which we can directly employ to hasten the progress in this direction. Disregard of the social values or indifference towards them and the tendencies to fight shy of responsibility and effort have been combated in other countries and there is no reason why we cannot also fight them successfully. There is so much in our recent history upon which we can draw. We can create an environment for the purpose by encouraging these qualities. We can utilise the medium of mass contact such as literature, art and culture. Above all, we can, through institutional changes and through organisational lead make a positive contribution in that direction. The question is of accepting the imperative need for it and applying our mind to it.

The planned development will still be our major activity. But the criteria by which proposals in the Plan will be scrutinised, the techniques which will govern the execution of the schemes and the tests on which the performance will be assessed will not be barely economic or even superficially social in the sense that word is understood in reference to welfare activities. The determining factor in all these cases will be the psychological, ethical and moral growth of the citizen of the State and the development in him of self-confidence, spirit of enterprise and will and desire to associate himself in a co-operative, creative effort. This will inject in everything we do, the values which are the source of our public policy and give content to all our national endeavour.

National Minima

Secondly, we have reached a stage when we have to accept that the people have started feeling the strain inherent in planned and speedy development. The people should be immediately taken into confidence as to the picture we are working for, so that they can understand and appreciate the burdens we impose upon them. The most important thing is the sustenance of the morale of the people and their faith

not only in the leadership but the policies and programme it pursues. I have dealt with this subject in my note on 'Equality of Opportunities'. It is necessary that we commit ourselves to these minimum needs of the people. The immediate needs of the people, such as can and must be met, to make life at least somewhat bearable, should be given the highest priority. To this can be added the supply of essential commodities such as foodgrains, cloth and some other articles at reasonable prices. For a country which is living from hand to mouth and from us expects so much, the factor of prices of the essential commodities like foodgrains, cloth and a few others has to be watched with serious concern. The Nagpur resolution mentioned that it will be essential from the point of view of planning that prices of certain essential commodities should be kept within reasonable bounds. This is also necessary to sustain the confidence of the people and make their burdens which they have to carry bearable for them.

Thirdly, there should be specific mention of the increase in agricultural production in the objectives of the Plan as a national commitment. Having taken a specific policy decision in the matter, it will now be advisable to concentrate on field implementation rather than on exploring new ideas. We should concentrate all our energies on the task of fulfilling the programme. What is needed is follow-up work. Time and again, the attention of the Government has been drawn to the fact that the machinery below district level hardly operates. The spot performance is hardly in relation with the national targets. They are worked out more or less mathematically on paper. Despite the constant endeavour on the part of the people at the top we are no nearer distribution of field targets or village to village production programme. We have, therefore, to concentrate on the Block and the District Development Advisory Committees and the Village Panchayats and Service Co-operatives to implement this programme.

The whole conception of State trading is in an uncertain State. This should be worked out more thoroughly and enforced. The present confusion, malpractices, exploitation of the people at both the ends has to be stopped. Warehousing programme should not be delayed any more. Distribution and utilisation of cultivable waste and Usar and Saline

land should be taken up forthwith. The implementation of the Land Reforms should be completed as suggested by the Agricultural Production Enquiry Sub-Committee.

And finally, priority must be given to curb unemployment. Just as an unconventional approach is needed in the matter of mobilisation of resources, an unconventional approach is needed in this sphere also. We have discussed this question in the note on 'Utilisation of Man-power Resources'. The maximum that we can do on that basis will be inadequate to absorb the minimum we should. It means that economic theories based on the experience of the Western conditions are proving inadequate to solve this problem. We have, therefore, to think of other ways.

THE ORGANIZATIONAL APPROACH AND SOCIALISM'S INSTITUTIONAL PATTERN

SHRI M.L. DANTWALA

ON the general question of the "approach" to the Third Five-Year Plan, my main contention is that greater emphasis should be placed on the better and fuller utilization of the existing productive assets in the country and not simply pin our hopes on output from additional investment. True, the basic objective of developmental planning is to expand the capital base of the economy and this can be done only through additional investment. But this additional investment comes from savings from current incomes, and income is generated from the total productive assets of the country and not merely from the additional investment. Every effort, therefore, must be made to secure the best possible returns from the entire productive assets of the country. It appears to me that, in our thinking, this aspect of the problem is somewhat neglected, attention being concentrated on additional investment and the increase in national income that would materialise through it.

In support of my contention, I would like to give some idea about the possible gains that we can secure from the improvement in the efficiency of the existing organizational and administrative set-up. Take the case of organization of rural credit. We are all agreed that the cooperative agency is the best suited for the purpose. According to the latest available statistics (1956-57), there were in the country 1,61,510 primary agricultural credit cooperatives with a membership of 91,17,000. These cooperatives serve 2,65,000 villages. Fresh loan advanced to members amounted to Rs. 67.33 crores. Judged in the aggregate, this is not an uninspiring record. But then, at the end of 1956-57, 8,117 societies were under liquidation. As for the audit classification (1955-56) of the rest, the bulk of the societies was classed under "C", the percentage of such societies being as high as 85 in Madhya Pradesh, 79 in Madras, 74 in Andhra

and 67 in Orissa. The percentage of "A" and "B" class societies was small in most of the States. With the exception of Coorg, Bombay (15.3) and Rajasthan, "A" class societies formed less than 10 per cent of the total in all the other States. The average amount of loans advanced per member, inspite of the massive assistance from the Reserve Bank, was as low as Rs. 13 in Bihar and did not exceed Rs. 100 except in Bombay (Rs. 127), Madhya Pradesh (Rs. 118) and Saurashtra (Rs. 211). The existing societies could certainly do better.

Now, there can be two approaches to this problem of rural credit—not necessarily mutually exclusive but differing in emphasis. One approach would be to set a target for the Third Five-Year Plan in terms of setting up a certain number of additional primary cooperatives. Another approach would be to endeavour to improve the operation of the existing societies and bring them to the level of the best achieved by the outstanding ones. Each society should endeavour to cover at least 75 per cent of cultivating farmers in the villages served by it, and provide not a fractional but total finance needed by the members for all legitimate and productive purposes.

It has been stated above that the two approaches are not mutually exclusive. But the point which needs decision is whether the limited resources in money and man-power could be used to better advantage through setting up of additional co-operatives or through improvement in the working of the existing societies. It is common experience that spreading out of limited resources over a wide area too thinly not only diminishes their effectiveness but also results in total waste.

What has been said about organisation of cooperative credit applies equally to organisation in other sectors of the economy. Thus, on the very vital question of increasing food production, much can be gained through improvement in the organizational and administrative machinery for the supply of seeds, manures and fertilizers and fuller utilization of irrigation facilities (Please see my previous article in the *'A.I.C.C. Economic Review'*). It becomes necessary to emphasize this extremely simple and almost elementary view because there is a tendency to believe that what is needed most in order to increase agricul-

tural production is to bring about some radical institutional changes. Some institutional changes are no doubt very essential and they serve even a wider purpose than that of increasing agricultural production. All the same, from the limited point of view of increasing agricultural production, it is necessary that we ask ourselves how much can be accomplished by institutional changes and how much through improvement in the working of the existing institutional arrangements. It is admitted that such simple measures as supply of seeds, manures and irrigation water can make a vast contribution to the improvement of agricultural production. If we are not able to get the best out of these measures, is it primarily due to defective institutional arrangements? The poor performance in these spheres can be traced to the inadequacy and inefficiency of the organizational and administrative machinery and if this is not improved, we should not be surprised to find that even the most radical institutional changes do not yield the desired results.

Social and Economic Objectives

It is unnecessary to give a complete gist of social and economic objectives of the Third Five-Year Plan. These objectives have been fairly well defined in the First and the Second Five-Year Plans. It would, therefore, be more fruitful to confine attention to the amendment and extension of these objectives which we think are necessary in the light of our past experience. The major deficiencies in this regard are :

- (1) Failure of national income to register significant increase during the Second Plan period : inadequacy of food production and high price of foodgrains ;
- (2) Shortage of foreign exchange hampering industrial expansion ;
- (3) Continuing increase in unemployment, particularly amongst educated classes; and
- (4) The pattern of income distribution not conforming to the social and economic objectives of the Plan.

Taking an integrated view of all the above deficiencies, it appears that inadequacy of food production is at the root of all of them. It is the failure of foodgrain production to increase steadily

from year to year and a severe reduction in 1957-58 that has retarded the pace of increase in national income during the first three years of the Second Five-Year Plan (In 1957-58, national income in real terms was lower by 2 per cent, compared to that in 1956-57). PL 480 has come to our rescue; otherwise, the strain on foreign exchange due to large imports of foodgrains would have become almost unbearable. The high prices of foodgrains have also drastically reduced the real incomes of the fixed income group and the general inflationary situation caused by shortage of foodgrains has enabled excessive trading profits.

Confronted with these deficiencies we have to think of ways and means of eliminating them during the Third Five-Year Plan. The most dominant trend in current thinking is to emphasize a more determined move towards the socialist pattern of society. This is welcome in itself but its contribution towards removing the deficiencies in our progress is a matter of pragmatic assessment. Much would also depend upon what we consider the characteristic ingredients of the socialist pattern and its appropriate institution. In the rest of the Paper, therefore, we discuss Socialism's institutional implications.

Socialism's Institutional Pattern

The question of institutional pattern of socialism is very complex: capitalist institutions have lost much of their classical characteristics; socialist thinkers have developed serious misgivings about the curative power of the popular socialist remedies. Under these circumstances, it is the responsibility of the leadership to acquaint itself with the trend in thinking on this vital subject before publicly announcing its policy decisions. It is obviously impossible within the span of this Paper to lay bare all the points at issue and much more so to pronounce a considered judgment. I shall be content if I simply make out a case for further thinking on the subject.

In a Note on 'Implications of Socialist Pattern of Society', some indication is given of the direction in which our thoughts are moving. This could be briefly summarized as follows:—

(1) Broadly speaking, property used in production should not be privately owned. Private property in the means of production would be limited to that

needed for small-scale production as is the case of agriculture or small industries ;

(2) There could be no private income from property, (or monopoly or rent) ;

(3) Property in private hands will not be an opportunity for turning one individual into an employer and many others.....into employees. No private individual or interest should have power to employ (or dismiss) workers. Workers must be employed either in a public enterprise or in a cooperative enterprise or be self-employed ;

(4) In a socialist society, there would be even less justification for permitting trading incomes as a type of entrepreneurial income ;

And lastly, the main theme appears to be that :

(5) Property as the opportunity for and control of economic activity is basically inconsistent with the socialist system. Ideally, property should be in private hands only for the purposes of consumption, means of production being socially owned and operated in every case.

It is not disputed that private (individual) ownership of means of production has resulted in "exploitation" and created vast and indefensible inequalities. But the converse of the proposition, *viz.* cooperative or public ownership will eliminate all the evils of capitalism is neither conceptually valid nor has the support of empirical evidence.

'The theories—whether revolutionary or democratic—which asserted that complete common ownership was the gateway to promised land, no longer carry conviction. Because socialism has become identified exclusively with common ownership, loss of faith in common ownership as a great panacea often means loss of faith in socialism itself. There is an obvious way out of this dilemma, if socialists have the courage to take it. The whole problem of ownership and how the power it confers can be socially controlled must be examined afresh.... Thus though by far the greater part of British industry is still privately owned, we have a different economic system from that which existed a generation ago. What has been achieved is due *not* to the abolition of private ownership, but to all the various controls by which the rights of ownership have, piecemeal, been limited'. (20th Century Socialism : *Socialist Union*).

C.A.R. Crosland, examining 'the growing irrelevance of the ownership of the means of production', says:

"I conclude that the definition of capitalism in terms of ownership, whether or not it was helpful 100 years ago, has wholly lost its significance and interest, now that ownership is no longer the clue to the total picture of social relationships. The once popular equation of State-ownership and classless society rested either on a tautological proof (class being defined in terms solely of presence or absence of private property) or on the assumption that when the State expropriated the industry, no one class would control the State." (*The Future of Socialism*).

Regarding the employer-employee relationship, Crosland observes: "The basic factor is not ownership, but large-ness of scale. A collectivist economy, with no private owners, is no less characterized by the alienation of control than a capitalist economy. Indeed, even in the latter, ownership has less and less relevance to the question of control. The same trend towards large-scale and complexity which alienates the workers from the means of production also alienates the owners.... The mass of shareholders is even less able than the mass of workers to control and coordinate the highly technical, managerial organisation which alone can take decision. So far as status at work is concerned, the Marxist criticism of "proletarianisation", in the direct sense that most employees work for wages in mass factory units, is of course as easily levelled at Soviet Russia as at the United States. What really matters is the degree to which management is autocratic or democratic, the extent of joint consultation and participation, and the freedom of the worker to strike or leave his job. In all these respects, the Soviet worker is more proletarianised than the British worker."

One last point. The degree of "exploitation" of the worker does not depend uniquely on ownership. "A collectivist economy can extract as much surplus value as it chooses by means of heavy taxation and the ploughing back of profits by State enterprises; while of course the need for surplus value, as a condition of capital accumulation and economic growth, is just as great in a collectivist as in a privately-owned economy. If the rate of capital investment in

Russia is what they say, then world's first collectivist economy has extracted surplus value from its population on a scale never exceeded by any capitalist country in history."

The antithesis between the private and the public sector has lost some of the validity it had in the days of classical capitalism and socialism. The identification, by definition, of private enterprise as capitalistic (and therefore selfish and exploitative) and of public enterprise as socialistic (and therefore, incorporating higher social values) also needs re-examination.

What makes an economy socialist should not be determined by a mechanical test as to who owns and operates its productive assets. It is a historical and current fact that several private enterprises in some countries are less exploitative (of labour and the consumer) than some public enterprises in some others. That is why inequalities in several capitalist (Gr. Britain) and "mixed economy" (Scandinavian) countries are less than inequalities in the socialist countries (Eastern Europe). This fixed association of institutions with their social consequences was largely responsible for the many errors (posthumously accepted) in Soviet Planning. The good Socialists who sincerely dislike totalitarianism were lured into many unpalatable compromises because of the fixed idea that anything done impersonally by the State or the Community—cooperatively or collectively—was by definition, so to say, more efficient economically and superior morally.

In the Note on 'The Implication of Socialist Pattern,' it is stated that "In Britain, it is impossible to earn more than a certain amount however much one may try." And yet the British economy is not a socialist economy. Does this "contradiction" not provide at least a *prima facie* reason to question the assumption that inequalities would disappear with the elimination of the private sector and its replacement by the public sector? The fact is that the capitalist economy to-day is not the same as the one so vehemently and rightly attacked by Marx. I hasten to say that this does not mean the capitalist economy has become acceptable to the Socialist, removing *raison d'être* of socialism. Neither do I wish to suggest that this has happened due to change of heart of the capitalists. Reasons for the change are complex,

but the most important to my mind is the counter-vailing power of democratic institutions.

It would be equally fallacious and dangerous to believe that the degeneration of socialism witnessed in countries where it became the official creed was due to non-adherence to non-violence or the aberration (change of heart in the reverse) of a power-crazy dictator. A part of the explanation, I think, lies in the dogma that there cannot be socialism as long as private enterprise persists or is permitted. (Forced collectivization is a pointer).

We in our country also seem to share this belief that the mixed economy is a transitional, necessary evil and the aim should be the quick expansion of the public sector. Such a belief is taken to be almost axiomatic for a socialist, and any one who does not subscribe to it cannot be perhaps permitted to call himself a socialist ! I would, however, like to submit that the only "musts" in socialism are in values. The institutional framework is only a form, at best, a means and, as such, a matter of pragmatic and empirical judgment. It cannot be made a qualifying test of socialism.

To determine the character of an economy (as socialist or capitalist) by reference to whether the enterprises therein are 'private' or 'public' is to merely go by labels placed on them almost a century ago. But it may be asked if these labels are no good what are the other tests by which we could determine the (socialist) character of the economy? More specifically, can an economy in which a large number of economic activities are privately owned and managed, by any stretch of fancy be called a socialist economy?

I should begin by saying that what makes a society socialist (or capitalist) are the values which the community cherishes and exemplifies in its social conduct. Since this would be largely accepted, I need not labour the point. But the crucial question is, does individual enterprise offend in any way the values of socialism? Is cooperative enterprise intrinsically superior (in value ranking) to individual enterprise? This would be so if by assumption or definition individual enterprise is selfish, if not exploitative, and cooperative enterprise unselfish and noble. Does such an assumption do credit to the (socialist) valuation of the individual? If socialism claims to be a system in which an individual has an

opportunity (denied by other systems, capitalistic or totalitarian) for the flowering of his personality, would it be right to assume that any individual acting on his own would be selfish and exploit others? I submit that this is a capitalist (and a totalitarian) view of the individual which thought of an individual as a means to an end. A socialist cannot share such a distrust of the individual. (It is here that the Gandhian thought elevates socialism to a higher moral plane than that given to it by Marx.) But an inexplicable contradiction comes when it is assumed that this (selfish) individual, who left to himself cannot but exploit, the moment he becomes a part of co-operative enterprise, becomes an angel! It means we have greater faith in the organizational form than in the individual. And it is this highly undemocratic (un-Gandhian) belief in the miracle of institutionalism, which paved the path of socialism to totalitarianism. It is here that Gandhiji's insistence on change of heart (values) as a prerequisite of social change becomes relevant for the revision of Marxism. An immoral man cannot create a moral society. An individual and therefore his enterprise is either selfish or unselfish, cooperative or exploitative; and a mere change in the form of organisation cannot turn a selfish man into a selfless cooperator. By the same logic, a cooperative individual would remain co-operative whether he runs an individual enterprise or is a member of a cooperative enterprise.

This to my mind is the basic fallacy in the thinking which continues to evaluate the individual in terms of the habitual capitalist (or totalitarian) value judgments and therefore, think that private enterprise by definition is exploitative and State or cooperative enterprise is "socialistic." It believes in institution but not in men. It is from this distrust and contempt of the Individual that Stalinism is born—and not from a Dictator's taste for violence. Non-violence in its ultimate essence is respect for the individual and I submit the institutionalists who believe that socialism will be achieved by the substitution of the private sector by the public sector have little respect for the individual. And yet they are surprised when a selfish bureaucrat takes the place of the selfish entrepreneur, and power motive replaces profit motive. The malady lies in the *common factor*, selfishness, and replacements within the brackets make little difference. One last point. It will be contended that none

in this country is against individual enterprise as such. If the individual is self-employed we will have no objection, but he cannot be trusted (but the manager, again an individual, of a cooperative or State enterprise can be) with employment of others. The truth is even in socialism there is no escape from the individual. You may change the designations, but that does not change the man.

This is not a defence of the private sector nor a plea for the unfettered retention of individual enterprise. One should go further and unhesitatingly state that, at this stage of our economic development there is need for greater relative emphasis on public enterprise and capital formation through public savings, including profits earned on public enterprises. All that I wish to convey is that there is nothing in the theory of socialism that requires a drastic cutting out of the private sector, organising all economic activities within the public sector and institutionalising all decisions regarding consumption, savings or investment.

PROBLEMS OF THE RURAL SECTOR

SHRI V.T. KRISHNAMACHARI

THE fundamental principles underlying large-scale social and economic development may be set out briefly, though they are well-known. Firstly, in backward economies, agrarian reconstruction and industrialisation should not be regarded as separate processes; they are inter-connected parts of the same problem. An index of development is the proportion of the population employed in agriculture. This proportion is excessive in under-developed areas and in them the process of development means, in effect, the absorption of the surplus populations in non-agricultural occupations, i.e., in the industrial and tertiary sectors. In other words, there should be co-ordinated development of scientific agriculture, cottage and small-scale industries and large-scale consumer goods and heavy industries. The pace of development should be rapid and much in advance of the rate of growth of population. In India, the aim should be to reduce the proportion of the population dependent on agriculture to about 55 per cent by 1976.

Secondly, we are now initiating a process of industrial revolution and the lesson of history is that an industrial revolution can be set in motion mainly by increasing agricultural productivity and transferring the fruits of that productivity from agriculture to the development of industry. Increased agricultural production is, however, much more important from the point of view of raising the standards of living of the 70-80 per cent of the population living on agriculture, and it is this aspect that should be emphasised when presenting our programmes of rural improvement.

Thirdly, agricultural production programmes can be carried out effectively only as part of a wider movement for (i) providing the basic necessities of life to the people and (ii) extending employment in rural areas and building up community assets by harnessing to constructive purposes the un-utilised manpower in the countryside.

When in February 1955, the Planning Commission placed before the States the target of doubling agricultural production in ten years, it linked this up with a programme for basic essential amenities for all villages in India—a kind of national minimum for living conditions for rural areas. The letter said :

“A programme under which every family in a village is offered the assistance needed, in a well organised manner, with the objective of doubling agricultural production in the country within a period of ten years and in which every village will be enabled to provide itself with such amenities—wholesome drinking water supply, a road connecting it with a main road or railway station, etc. within a short time—cannot fail to appeal to the countryside and evoke enthusiasm. It is the duty of the official and non-official organisations to exploit this objective and see that the implications of this are fully understood so that every family in the countryside is animated by a common aim and outlook and public co-operation is secured in the widest possible measure.” Our plans have not so far attached sufficient importance to the provision of amenities. There are many thousands of villages which do not possess the basic necessities—namely, adequate supply of wholesome drinking water, roads linking them to the nearest main road or railway station, and village school. These three services should be national minimum of social services for rural areas which we should put forward as one of the important programmes for the Third Plan. It is not possible to expect village communities to put forward their best efforts for production unless we place before them goals which they would themselves be willing to strive for with enthusiasm. It is also essential to reduce disparities between levels of living of the urban and rural populations which would otherwise tend to increase a great deal.

By the end of the Third Plan, facilities for the education of all children in the age group 6-11 years should be provided throughout the country. Every village with a population of 500 or more should have a school with at least two teachers. Smaller villages may have one-teacher schools to begin with. Villagers are always to provide buildings wherever schools are established and strenuous efforts should be made to initiate self-aid movements as in Madras for school buildings and free mid-day meals.

The problem of providing wholesome drinking water in the villages has to be taken up as an urgent matter and States should be asked to arrange for the necessary surveys immediately. Similarly, the programme of approach roads should also be taken up. In all such cases, the villagers can be induced to make their own contribution as in the local development works programme in the form of labour and money.

The question of harnessing the unutilised energies of the people in rural areas may be approached along the following lines :

(i) There are the programmes in which there should be an element of legal obligation on the community or the beneficiaries. In these there should be a general acceptance on the part of every local community or responsibility for enforcing customary obligations like the excavation of field channels, maintenance of bunds and channels, contour bunding etc.

(ii) All projects included in the Plan which call for the use of unskilled and semi-skilled labour should be carried out in each village and area by the community concerned so that the employment provided and its benefits may accrue to the villagers.

(iii) With active assistance from Government, village communities should be induced to provide themselves with basic amenities.

(iv) It should be the objective of Government policies and their administration from day to day to facilitate the building up of community assets which would belong to the village as a whole, such as village tanks, fisheries, fuel, plantations, common pastures, agricultural lands owned by the community etc. Income from these assets should accrue to the community as a whole. Programmes for building up such assets should be planned in terms of the requirements of the development block as a whole as well as for individual villagers, execution being arranged through the latter.

In his paper, Shri Ashoka Mehta has suggested that through compulsory social service a million young persons should be mobilised for a period of two years and they should be used in rural areas to level land, construct bunds, deepen tanks, dig channels etc. They are intended to serve as shock brigades which will "take over needed work and exhort others to

join sustained work". This idea seems to me to possess only a limited application. The problem is to find steadily increasing employment on a permanent basis in the locality itself for the entire labour force. For this, we envisage three different classes of programmes. Firstly, there are the agricultural programmes to be embodied in the Third Five-Year Plan. In these, apart from intensive scientific agriculture, emphasis will be on minor irrigation, contour bunding, afforestation, etc. Secondly, we shall have the national amenities programme which I have indicated. Thirdly, there are programmes for building up community assets in the manner mentioned earlier. The block and village organisations should see that in carrying out all these programmes as well as large and medium projects in rural areas, the local manpower resources are fully utilised.

There is another point which is somewhat basic. No agricultural community can improve itself sufficiently through agricultural work alone. We need, therefore, to pay much greater attention to

- (1) the development of supplementary occupations and cottage and small-scale industries in rural areas ; and
- (2) the planned integration of these areas with economic life of the urban centres.

I propose to develop these ideas in a separate paper.

The success of all our plans will depend on the order of increase achieved in agricultural production. Targets for the Second Plan as initially proposed were found to be too low and had to be revised. For food-grains, the target was fixed after discussions with States at 80 million tons. The effort which followed was inadequate for realising the higher targets. The problem of increasing agricultural production is primarily one of administration and organisation and of enthusing the people. Given these, there should be no great difficulty in providing the financial resources needed. In February, 1955 the Planning Commission placed before the States the objective of doubling agricultural production by the end of the Third Five-Year Plan. Taking account of the trends of recent years, the target to be realised by the end of Third Plan should be 11 million tons. This will mean an increase of 40 to 45 per cent in the Third

Plan period over the production at the end of the current Plan.

The implications of such a target in terms of large and medium irrigation projects, minor irrigation, seed programmes, fertilisers, soil conservation, credit, marketing and processing, rural electrification and road programmes should be worked out in detail by the Working Groups at the Centre and in the State.

SOME FUNDAMENTAL CONSIDERATIONS IN THE THIRD FIVE-YEAR PLAN

IN considering priorities for the Third Five-Year Plan, such aspects as basic industries and agricultural production are already receiving attention. There are four other aspects to which closer thought might be usefully given :

- (i) In every field, there is need for getting much more out of the capacities which are built up and the services which are created. There is at present some degree of failure in working out what is to be done at every step and at the various links. Capital-output ratios and other co-efficients, on which so much of formal planning is based, turn in the last analysis on the degree of operational efficiency which is achieved.
- (ii) In several fields of development, the attainable results can only be realised on the basis of large-scale utilisation of local manpower resources. The implications of this fact have to be translated into concrete programmes with the necessary organisation behind them in advance of the Third Plan. The extent of manpower utilisation is also a major factor in raising the rate of domestic saving.
- (iii) Hitherto, measures for raising productivity and reducing costs have not had a significant place in our plans. They are of the utmost importance for the Third Plan both for resources and in terms of the physical target for which the Plan is to provide.
- (iv) Where there is so much to be done in every direction, the resources tend to spread out too thinly. Consequently, the investments which are made do not produce a deep enough impression in any one direction. For the Third Plan, it is necessary to re-examine the pattern of

investment distribution in each sector and to bring about such greater concentration on those items of development which are more significant for the total growth of economy, for increasing the levels of production during the next three or four years and for securing a larger mobilisation of resources.

II

On the whole, the intellectual content of our First and Second Five-Year Plans will bear scrutiny. The main shortcoming is, however, in the emotional content of our Plans, and in their comparative failure to convey to individuals and groups a feeling of responsibility and participation. We need to think out ways in which this defect can be removed in anticipation of the Third Five-Year Plan. The problem is complex. There is, first, the question of *communicating* the essential ideas of the Plan, specially those in which large numbers of persons or the administrative machinery at the fields level have to be involved. At present right through the whole structure communication is extremely poor. Secondly, there is undoubtedly a widespread feeling that those who are better off become still better off and those who are poor do not gain much. Statistics to disprove this belief are not available to any great extent. In the third place, there is constant evidence of conspicuous consumption and provocative disparities in levels of living.

These are bundles of mixed-up problems rather than single issues. It seems, however, that popular psychology, which is of great importance for any successful planning, might be influenced by action along the following directions :

- (i) The total permanent employment that is required is necessarily associated with the attainment of a certain level of development, specially in industries. There could, however, be projects and schemes, mainly in rural areas, to which anyone in need of work would go. Since the greater part of the problem is connected with rural under-employment such projects are particularly needed during the slack seasons. There is also a segment of the urban employment

problem for which special schemes on these lines may be useful. It is necessary to remove the possible impression that there is not enough concern on the part of those connected with planning to provide at least some kind of work to those who are willing to take up whatever work is offered them.

- (ii) A mixed economy even when socialistically oriented is compelled to leave a large area of operations for the private sector. During the past few years, while larger opportunities have become available in the small and medium sections of the private sector, the expansion of large existing units and the accumulation of further business interests on the part of well-established concerns and families is a feature which has attracted wide notice. There is need for a definite orientation in Government's policy for the private sector whereby *new* entrepreneurial talents are called into action and most of the Government's resources and attention are given to the development of the small man's private sector and medium-sized units and to the development of cooperative units in industry and allied fields. There should be virtually a limit to the expansion of the business interests of a few or of large established undertakings and instead, in suitable cases, their talents and experience should be brought into use in activities of wider social significance.
- (iii) In the present context, the need to raise internal resources presents two different problems. The first is that the extension of taxation on commodities of general consumption hits the poorer sections harder than those relatively better off and may even widen the gap between the two sections. The second aspect is that while the new investments which are being made will eventually lead to larger resources being realised, we have immediately no adequate answer to the problem of the time lag. For a period of

10 years or so, there is need to introduce in relation to non-agricultural incomes, not a formal ceiling as such, but some kind of limit such as may be achieved through a scheme of deposits in long-term savings bonds. Such a scheme would have to be universal and suitably graded above certain levels of income e.g. Rs. 6,000 a year net after tax and could be voluntary below these levels. It should be possible to build up public opinion in favour of action on these lines, not merely among the people generally, but also among those who would be required to make the necessary contribution. One of the missing things during the past few years has been a call in practical terms with the support of public opinion for a larger contribution from those who are relatively better placed and bear a large part of the responsibility for the success or failure of the nation during the next decade.

III

The gap between the aims set forth from time to time and the extent and manner of their fulfilment has been very large in most fields. Except in activities in which the motivation is that of self-interest and here and there in certain activities organised under the auspices of Government, the average citizen generally senses lack of speed and drive, wastefulness, and a certain absence of anxiety as to the actual results produced. It is absolutely essential to din into the minds of the public as well as at every level within the administration the importance of *speed*, *economy*, *operational efficiency* and the *test of practical results*. It is imperative that there should be an alert national outlook on the urgency of these conditions being realised in every activity that is undertaken.

For a variety of reasons during the past decade a certain distance has developed between those who have a hand in shaping decisions at different levels and the mass of the people. The former includes public servants, members of legislatures, ministers

and many who are in public life. A consequence of this is that many of the problems which cause the greatest concern to individual citizens in rural and urban areas may not find a sufficiently direct or central place in the thinking of Governments and administration and in the procedures and machinery which are devised. Something new in the nature of a live contact with the raw problems of the people may be proved useful in ensuring more intimate understanding of the perplexities and attitudes which dominate the minds of large numbers of persons. In other contexts we think of village panchayats arranging for a tax in the shape of labour. Would it be possible to organise labour service in villages, in towns and on projects for as many persons as possible from the groups mentioned above? In the case of public servants labour service on a nearly universal scale for a period of say, up to a fortnight or a month might make a real difference in attitudes and in the general grasp of the problems of the average person.

IV

At the Centre, we are thinking in terms of drawing up a long-term plan at least for the next 10 or 15 years. In its first outline a long-term plan may be based on limited statistical data and assumptions. A genuine long-term plan which will become the basis of action by Government and not merely of present projections, however, calls for information regarding real resources, extensive surveys, and assessments of development possibilities in different parts of the country. It is, therefore, necessary that long-term plans in terms of the national economy as a whole as well as for different States and regions should go side by side. This involves a high degree of co-ordination between the Centre and the States and within each State a great deal of integrated thinking and planning as well as the necessary apparatus. This aspect now merits consideration and reinforces the suggestion in note V below.

V

There has been some comment recently on the weakness of planning machinery in the States. So far, in the States, planning has not gone much beyond the stage of co-ordination between departments, although there are fields in which imaginative

individual projects have been put forward. More and more, planning in the States has to be conceived of in terms of long-term development of both natural resources and manpower. In setting up planning organisations above the departmental level in the States there may be some difficult questions of personnel and administrative relationships. It is desirable that these questions should be faced now and State Governments should consider setting up their own State Planning Commissions with small technical staffs which might also include the statistical and economic set-ups at present available in the State. Without some such move it is difficult to see how planning in the States will get beyond the stage of working out individual development schemes, how there might be greater physical planning in agriculture, land use and utilisation of manpower resources, and how area plans which cut across departmental limitations might be adequately organised.

VI

The level of public outlay on development has increased steadily since the beginning of the First Plan. Increased developmental outlay indicates a growing effort on the part of the country. Yet, by itself its total impact is very limited, and the public just take it for granted, believing that it is after all Government's business to find larger resources for development. In other words, the Plan has not been as significant an instrument for mobilising the energies of the people and the local resources of each area, including voluntary contributions, as had been at one time expected. It is necessary to examine at what points precisely there has been failure or weakness. Proceeding on the present lines, greater increase in the rate of growth of outlays on development or even marginal changes in the pattern of investment may increase the impact in some directions, but the total effect will not be large and the Plan will not attract much more popular effort and participation than it has so far done. There are many sides to the problem and there is no single or simple answer, but the question needs urgent attention.

BROAD ISSUES AND STRATEGY OF THE THIRD PLAN

SHRI V.T. KRISHANAMACHARI

I PROPOSE to give my personal views on the broad issues raised in regard to the strategy of the Third Plan.

2. I think that no change is called for in the broad strategy and objectives accepted for the Second Plan and that they should be pursued for the Third Plan. The Third Plan follows from the achievements under the Second and will be a continuation of the Second Plan. From the economic point of view the aims are:—

- (i) to double *per capita* income as it stood in 1956 as rapidly as possible, but in any event before 1976, and
- (ii) to bring into existence as rapidly as possible a strong and well-balanced economy capable of self-sustained growth.

This does not mean that the proportion of the expenditure allotted to the different sectors of the economy will remain unchanged. Changes will have to be made in the allocations from time to time in the light of progress made.

3. I should like to revert to what I have said already about the increased importance to be given in the Third Five-Year Plan to the rural sector. This question should be viewed in the proper perspective. Our declared objective is the full utilisation of the country's land and water resources, adopting the latest scientific techniques. The Community Development movement will extend to all villages in India by 1962. Its main objective is to enable every family to practise scientific agriculture, i.e., utilisation of irrigation facilities, contour-bunding and soil conservation, use of approved seeds fertilizers and organic and green manures, employment of improved techniques etc., through village panchayats and co-operatives. In other words, all

cultivated land should come under scientific agriculture.

I talked about cereal production the other day, as it is important in the present juncture. But a programme of agricultural production is an integrated one for cereals and pulses, cotton (long, medium and short staple), jute, oil seeds, plantation products, etc. The aim should be not only to meet internal requirements but also to build up exports.

What is important is to develop 'production potential' by the application of scientific methods. Targets for cereals and other agricultural products should be determined from time to time. Crop patterns can and should be varied according to needs. My present view is that the target for cereal production should be 110 million tons. If we find we do not need all that, we can change over to other crops.

There should be guaranteed minimum prices for agricultural produce, announced as early as possible, which should hold good for three to five years.

In my view agricultural production is bound up with (i) the provision of minimum amenities to all villages—wholesome drinking water supply, road connecting it with the railway station or the main road village schools; (ii) the strict enforcement of customary obligations in regard to the construction of field channels and maintenance of irrigation works, contour-bunding etc; and (iii) the building up of community assets by utilising the idle man-power in the countryside. It should also be recognised that a purely agricultural economy cannot provide adequate employment. We must, therefore, promote village and small-scale industries in rural areas, and link up the life of the villages with urban life and activities.

This is an integrated approach to rural life which should have the highest priority in the Third Plan.

4. The utilisation of our water resources will be, in addition to irrigation, through hydro-electric power generated both for agriculture and industry. There is no doubt that hydro-electric power will be cheaper than other forms of power for many years to come.

5. As regards iron and steel and coal production, the targets for the Third Five-Year Plan are under discussion. As I said the other day, the exploration of oil resources will have to occupy a prominent place in the Third Five-Year Plan.

Coming to heavy industries, we are committed to the following projects:—

- (i) Heavy machine building and mining machinery.
- (ii) Foundry-forge.
- (iii) Manufacture of drugs and intermediates.
- (iv) Electrical machinery manufacture.

For these, foreign assistance is available and internal resources will have to be found. In the private sector there are projects for manufacture of cement and sugar machinery. In the Third Five-Year Plan we shall have to double the capacity of the heavy electrical machinery project in view of our requirements. Certain other projects will also have to be added under this head.

I may add, without going into details, that the private sector will also have to undertake increased obligations in the Third Five Year Plan.

6. Power generation and development of railways, ports, roads etc. will have to proceed on a scale to meet the needs of the economy as it develops.

7. No country can have a sound agricultural and industrial economy unless it has universal, free and compulsory education up to the age of 14 and a sound system of Secondary, University and technical education to which every one can have entrance on his or her merits. In other words the spread of social services and economic progress should go hand in hand.

8. From what I have said, it will be seen that we are left with no choice with regard to the size of the Third Five-Year Plan. It will have to be nearly of the order envisaged when the Second Five-Year Plan was prepared. The resources *will have* to be found.

9. There should be a great national effort to ensure that we realise our targets of agricultural

production and through this and other means maintain a level of prices which will enable this large expenditure to be incurred without generating inflationary pressures.

10. Finally, two things are essential for the success of our plans. Firstly, the administrations should steadily improve in efficiency and establish close contacts with the people. Secondly, at every level we must be able to enlist the best leadership available. Every one in the country should feel that the Plan is his or her and be prepared to make the necessary sacrifices for it. Only in this way can we achieve national unity and solidarity.

STRATEGY OF THE THIRD PLAN

1. The strategy of the Third Plan should be derived from the aim of transforming our relatively stagnant economy into a dynamic, self-reliant and welfare economy by the end of the Fourth Plan. The Third Plan would then be a significant step forward in the attainment of the national goal of a socialist society.

2. A self-reliant economy means one that can sustain an adequate rate of growth basically from its own resources. The problem has two aspects: physical and the financial. The physical problem consists in creating an adequate technical base of real capital (*i.e.*, complementary resources) and trained manpower so that the economy can itself meet all the vital requirements of an adequate level of capital formation, current production and essential consumption. The financial problem consists in attaining a rate of domestic saving consonant with an adequate level of capital formation.

3. In order that the economy is enabled to meet itself the vital requirements of an adequate level of capital formation, current production and essential consumption it is necessary to develop agriculture (particularly food production) and basic industries (particularly metal, machine building, chemical and petroleum industries). The Second Plan would register a considerable advance in the development of agricultural raw materials and metals (particularly steel). A beginning would also have been made with the creation of a national petroleum industry. In regard to food, however, there has been a setback (in the sense of reemergence of a large foodgrains deficit) relatively to the closing years of the First Plan. The most serious lag, however, is in the development of machine building industries. It follows that during the remaining years of the Second Plan and the Third Plan period while the progress in the development of metal, petroleum and chemical industries, the agricultural raw materials, and the economic and social overheads should be carried

forward, the main concentration should be on *food* and *machine building*.

4. A major weakness of the growth process so far has been the very slow progress with stepping up the rate of domestic saving. If the country is to free itself from the pursuing population pressure and to attain visibly improving living standards, the objective should be to attain an 8% rate of growth of national income during the Fourth Plan. For at this rate, despite 2% annual growth of population, per capita income can be doubled every 12 years and a satisfactory solution of the problem of employment can be found. This rate of growth of national income would require, given a reasonable efficiency in the utilisation of capital, rate of capital formation at about 20% of national income. The objective of a self-reliant economy requires that the rate of domestic saving should eventually be stepped up to that level. The progress in that direction has been very slow—from about 5% in 1950-51 to about 8% at the moment. As a result, even a modest rate of capital formation of about 11% needs to be financed to the extent of about one-third from outside current saving. The current large balance of payments both reflects and measures the savings deficiency of the economy. The lag on the financial front is indeed uncomfortably serious.

The key financial problem, therefore, is to step up the rate of domestic saving to about 14% by the end of the Third Plan so that it can be pushed up to about 20% by the end of the Fourth Plan.

5. The western countries solved the problem of an adequate rate of saving basically through corporatisation of the economy so that high rate of corporate saving served to attain an adequate rate of national saving. In the Communist countries, this problem has been solved basically by attaining a high rate of public saving through a high rate of surplus yielded by the public sector. In consonance with our pattern of development, we must seek a solution of the problem through a synthesis of the above two approaches. The main elements of the strategy for stepping up the rate of domestic saving should be:

- (a) a high rate of public saving through (i)
creating a fiscal system that continuously

channels an adequate proportion of national income into the public revenues, (ii) obtaining large surpluses from an expanding public sector, and (iii) restraining government non-investment expenditure ;

- (b) a high rate of co-operative saving by co-operativising a growing proportion of agriculture, small industry and retail trade and by raising the standard of efficiency and business management of the co-operative sector ;
- (c) a high rate of corporate savings ; and
- (d) a high rate of personal saving by fully tapping the people's urge for social security (particularly life insurance) and for adequate provision for conventional necessities.

Clearly, the step-up in the rate of domestic saving requires, first and foremost, institutional changes in the direction of a socialist pattern of society. The realisation of such a pattern of society is thus as much of an imperative from the standpoint of economic growth as of a welfare society.

7. The problem of employment has two aspects ; the quantitative and the qualitative. There is, in other words, the problem of providing more work and adequately remunerative work. A satisfactory solution of the qualitative aspect, being contingent on an adequate level of economic development, is necessarily a long-term process. It is, however, intimately connected with the quantitative problem of providing more work in the present. To the extent production and capital formation can be stepped up through fuller utilisation of manpower, the solution of the qualitative problem is brought nearer. The strategy in regard to employment should, therefore, be :

- (1) to fully realise the potentialities of agriculture through intensification rather than mechanization ;
- (2) to develop the relatively labour intensive small-scale industry alongside the highly capital-intensive large-scale industry ;
- (3) to make the modern sector as well as agri-

culture and the small-scale industry yield the maximum by way of economic surplus and utilise the part of this surplus not channelled into investment to achieve maximum possible expansion of social services ; and

- (4) to evolve a national wage and salary structure consistent with maximisation of employment opportunities.

7. In regard to foreign assistance, the main reliance should be on foreign loans rather than on equity investment. A high rate of domestic saving would enable us to negotiate for such loans from a position of strength. Where Indian private enterprise cannot by itself achieve some desirable lines of development, the key policy should be to add the resources of the State to those of the public sector through joint State—private enterprise rather than to rely on collaboration between Indian and foreign big business.

Section—II

IMPLICATIONS OF SOCIALIST PATTERN OF SOCIETY

DR. V.K.R.V. RAO

THE country as a whole has accepted the establishment of a socialist pattern of society as its goal.

There is, however, no authoritative interpretation or the connotation of the expression 'socialist pattern of society'. In the absence of such interpretation, different persons, those belonging to the Congress Party as well as others, have been describing socialist society in different ways, with the result that in the mind of the general public there is confusion rather than enlightenment about the meaning of socialist society. Without a clear and unambiguous understanding of the goal to which we are moving and the implications it has for national and individual behaviour, it would be impossible to put through any programme of development requiring a large and sustained national effort for its success. Hence the vital need for expounding the meaning and implications of a socialist pattern of society well in advance of a call to the nation to go all out for ensuring the success of a bolder and bigger Third Five-Year Plan.

2. It must be pointed out at the very outset that a socialist society has as its root a moral and social philosophy significantly different from what lies at the base of a capitalist society. Thus, in a socialist society, there is a deliberate acceptance of the importance of subordinating one's personal ambitions and requirements to the larger whole of the ambitions and requirements of society as a unit. Above all there is the consciousness of the basic equality that should exist among human beings in terms of individual worth and dignity and therefore the forswearing of all personal action that would violate the worth and dignity of another individual and the taking up of all personal action that would lead to the maintenance of the dignity of another individual and the enrichment of his worth. Thus fraternity, equality, solidarity, dignity, individual worth and cooperation are all specific concepts that not only have intellectual acceptance in a socialist society but form the actual

content of the motivations and incentives that lie behind action and behaviour in that society.

3. While, therefore, stress must be laid on the moral and social content of socialism to account for its acceptance by the country, it is also abundantly clear that substantial economic reasons also lie behind this decision. It is because there is no other way of dealing with India's economic problem, i.e. of accelerating the rate of economic growth and removing the poverty of her masses, that there is such universal acceptance in India of a socialist society. Any significant rise in the rate of saving and investment in India—and without such a rise there can be no substantial economic development—requires an appreciable contribution from the masses of the people either by way of taxes or of loans. This will not be easy in a democratic set-up such as ours, especially when the level of living of the masses is so low and whatever rise economic development may bring about in the near future will nevertheless not bring up their standard of living to anywhere near what is enjoyed even today by the middle classes in this country. Some powerful motivation is needed to get the masses to make the required contribution to the savings needed for economic development ; and there is nothing better calculated to do this than the feeling that their contribution will be used for the purpose of building up a society, where they will both play the major role and be the major beneficiary. It is only when the masses feel that the economy is theirs that they will give their best effort, and this, they know, will happen only in a socialist society where there will be no property relations of the kind such as will distort the pattern of both production and distribution. Secondly, any substantial measure of economic development requires not only a significant rise in the rate of saving and investment, but also a planned use of these savings in such manner as to bring about an accelerated rate of economic growth. The investment pattern that is required will not emerge through the working of the motive of private profit. Unless the investment is deliberately planned, it is not likely to go into activities that may require a large outlay or take a long time to yield profit or make for balanced development. Hence the need for a socialist society.

4. The important thing to emphasise is that socialism is an economic doctrine. It derives its strength in the

case of an under-developed country such as ours primarily from its economic superiority over a system which leaves to private initiative the organisation of economic activity in the community. A socialist society must by definition be more efficient in the sense that it leads to more production per head and a higher increase in productivity than a system based on private enterprise. It is necessary, therefore, to apply the principles of maximisation of output with minimisation of cost of economic decisions in a socialist community. It must be made clear, however, that the minimisation of cost referred to here is social cost and not just private cost. A socialist society is not just a give-away society nor is it only concerned with the redistribution of income. It must lead to an increase in efficiency. For doing this, it is necessary that the creative energies of the entire people are released, and that talent everywhere gets the opportunity for development and social contribution. It is necessary that the community becomes scientific and technology-minded and is willing to go in for change in methods, practices and organisation of production. It is also necessary that workers, whether in industry or in agriculture, get the habit of working in co-operation. The key-note of the socialist system is, from the economic point of view, efficiency. From the socio-ethical point of view, however, it would be co-operation and worker-participation.

5. For securing this superior efficiency, it is necessary to reorganise the entire organisation of production, distribution, exchange and consumption in the community. The basic change that is needed is in production relationships. These involve the relations between property and production, property and income, property and employment, and labour and production.

6. Taking first the relation between property and production, the usually accepted orthodox view in socialist circles is that there should be no private ownership at all in property used for production. While there may be historical validity for this position, today things are different with political power in the hands of workers and peasants and the State apparatus therefore available for regulating the scheme to avoid evils associated with the exercise of private property in means of production. In our conception of the socialist society, therefore, there is room for private

property in means of production, provided however this is limited to small units of production and not extended to individual firms or corporations engaged in large scale enterprise in the private sector. As far as large scale units are concerned, they should be in the public sector.

This is the ultimate picture. During the transitional period, however, private property will be permitted in existing large-scale concerns in industry, while the question of their expansion will be decided on individual merits and in accordance with the production requirements of the Plan. The large-scale concerns, however, will be subject to public regulation and more especially in the matter of any monopoly factors they may be developing or monopoly practices they may be following.

7. As regards the relation between property and income, private income in a socialist society will mainly be derived from work. But there will always be the case of persons who have either no or an inadequate income from work and who would become a public charge if they were not permitted to obtain some income from property. Similarly, if we are to expect personal savings in a socialist society and some personal savings are essential even in a socialist society or expect workers to form co-operatives and subscribe the capital needed, or expect small-scale units of production—whether in agriculture or other fields—to find even part of the capital they require, we have to permit the receipt of income from property. But there will be severe limitations on the extent to which individuals would have such income from property. In other words, while individuals and families will be permitted to have some income from property, it will nevertheless be true that taking private income as a whole in a socialist society, the bulk would be connected with work and would in fact be a return for it.

8. As regards property and employment, it is historically true that owners of property have become employers and those with only labour to sell have become employees. The relationship between employees and employers has normally not only led to the exploitation of the latter but also inflicted injury on dignity and individual worth of the employees. In a socialist society, therefore, normally, there should not be many employees in the private

sector, either they should be self-employed or work in co-operatives or be employed in the public sector. But it is not possible to do away altogether with employee status in the private sector. That will be permitted in the socialist society of our conception. All that we can do is to impose a ceiling on the number of persons we could employ and institute adequate safeguards, legislative or otherwise, for preventing these employees from being exploited. During the transitional period, however, not only will there be a large number of employees in the private sector but also many of them will be in large concerns. In their case also, suitable regulations will have to be undertaken of employer-employee relationship.

9. It follows from what has been said above that in a socialist society, labour will have a much greater responsibility for production than hitherto, as normally there will be no intermediary in the shape of a private employer between worker and output. But there will be the employer in the form of the State or State-created agency; and even in a co-operative there will be the management. There will also be the employer in small-scale production during the transitional period, there will be employer also in large-scale units. All this tends to lengthen the distance between the worker and his output and, therefore, to that extent deprive him of that sense of pride of participation and fulfilment in his work, which it is the objective of a socialist society to promote. In a socialist society, therefore, labour must have full opportunities for feeling responsible for the work of the enterprise as a whole irrespective of the sector to which it belongs; and this cannot be achieved without some system of worker-participation in management.

10. To remove possible misunderstanding it must be made clear that the socialist society contemplated for India does not mean that all productive activity is nationalised nor that all workers become State employees. On the contrary, there will always be in terms of the number of workers involved, a large private sector in the economy, where means of production will be owned by individuals and production planned and implemented by them. Only, the means of production owned by anyone individual will not be such as to give him a very large income nor will it give him the opportunity to employ many workers on hire. What will be publicly owned will

be large means of production or scarce resources or monopolistic opportunities. Even in this case, the form of operation need not necessarily be governmental; it could well be cooperative and, in either case, there will be active provision for worker-participation in management.

11. Apart from these changes in production relationships, which constitute the core of socialist transformation, there are certain other features of production, distribution, exchange and consumption, which are peculiar to a socialist society, especially when it relates to an economy in the process of growth. Thus, e.g. production will have to be socially oriented, that is generally speaking, only those goods and services will get production opportunity as are essential to the community either from the point of view of consumption or of capital formation. In other words, consumption goods will largely be of a mass consumption or the wage goods type; where this is not so, the consumption goods so produced will be limited in volume and will be used primarily for providing incentives for those workers, either the supply of whom is scarce or from whom an extra intensity of work is required. Moreover, production will have to be centrally planned, especially in regard to the broad categories of the goods to be produced, the volume of their output and the timing of their production. Central planning, however, should not mean centralised implementation; without decentralisation of operation and giving of opportunities for local initiative, planning will not release productive energies to the full. The incentives used in implementing the Plan should, therefore, be such as to stimulate enthusiasm, effort, and emulation among the dispersed production units than be just administrative decrees or bureaucratic decisions issued by the Central Planning Authority.

12. Distribution in a socialist society will obviously have to be determined socially and not just be left to the free-play of demand and supply on the labour market. And yet it is not correct to believe that socialist distribution implies either uniformity of living standards or equality of income. What a socialist society seeks to eliminate is inequality based on class or privilege or property; it should have no objection to inequality of income based on inequality of performance or efficiency. Such inequa-

lity is not likely to have a large range by the very nature of the fact that it is largely based on work. To the extent that the range is wide, action will be necessary through fiscal or other means to narrow the range to within the socially accepted maxima. At the same time, no socialist society can contemplate a minimum that is below a given level of comfort and as long as this minimum is not reached, it must concentrate all its distributive efforts to bring about a desired minimum, even if it involves the imposing of what may even appear to be uneconomic imposts or restraints on the higher levels of income. Also, a socialist society must constantly strive to reduce the range of inequality in its income structure; and as inequality in income is by definition due to inequalities in work performance either in quality or volume, what is needed is action to reduce the causes of this inequality in performance. This means in turn the giving of special opportunities for education and training to those who are under-privileged or have a long leeway to make up before reaching the level of performance of their better-paid brethren.

13. As regards trade, there is a very strong case for socialising trading operations not only because of the lack of justification for the private retention of the profits they give rise to, but also because of the speculative price fluctuations, cornerings and hoardings that private control of trade gives rise to. All this, however, applies only to wholesale trade where both profits and the scope for anti-social activities are large. In a socialist society, therefore, wholesale trade will be either in the public or in the co-operative sector, while retail trade will continue to remain in the private sector and give opportunities for self-employment. It is necessary, however, that the socialisation of wholesale trade should be taken up even during the transitional period not only for the reasons mentioned above but also in order to furnish the public sector with some of the funds necessary for financing its expansion.

14. Banking is another field which requires a radical reorganisation in the context of a socialist society. In a socialist society, bank credit is required mainly for governmental or co-operative enterprise; if private enterprise continues to exist, the credit facilities extended to it will have to be regulated and rationed

in the light of overall planning. Nor can there be any privacy or bankers' secret about individual incomes or wealth in a socialist society. While, therefore, in the ultimate picture of the socialist society we are visualising, banking along with other large-scale enterprises in the private sector, will be socially owned and operated, there will be no nationalisation of banking during the transitional period; there will, however, be strict regulation of banking activities in accordance with Plan policies and production priorities.

15. As regards consumption, there will be some difference in respect of its organisation in a socialist society. There is no reason why private retail trading should not exist in a socialist society, though in keeping with the general socio-ethical content of this society, co-operative retail stores would be the preferable form of trading organisation. *There can be no doubt, however, that the price mechanism has to continue in a socialist society not only for the purpose of equating supplies and demands, but also for giving freedom to the consumer to determine the utilisation of his disposable income and giving guidance to the planning organisation in the determination of the pattern of production. It is wrong to believe that the consumer will be a passive spectator in a planned economy. On the contrary, a truly socialist society must give freedom of choice to the consumer and, in fact, will eventually do so to a much larger number than is the case in a capitalist society with its inequality of income, its manufacturing and trading monopolies or semi-monopolies, and its huge outlay on advertisement.* During the transitional period, however, the consumer will suffer restrictions in the matter of variety and number of goods in view of the developmental orientation that will have to be given to production. Obviously also, there will be restrictions if not complete prohibition in regard to expenditures of a luxury, display, wasteful, or anti-social character.

16. Then there is the question of the public *versus* private sector. Will there be a private sector in a socialist economy or will all production or trading activity be brought under the public sector? This is a crucial question in the interpretation of socialist society on which there is a great deal of misunderstanding among the general public. We have already made it clear that a socialist society does not

mean that every worker is an employee nor does it mean that no economic activity is organised on a private basis. What a socialist society requires is that no private individual or interest is able to influence either output or price in any given field as also that no private individual or corporation continues as a large employer, nor have the opportunity to have economic power. It is, therefore, the scale and nature of economic activity that would determine the relative roles of the public and the private sector. Viewed in this light, there would be a large scope for the private sector in a socialist society in India and even in the public sector, there would be ample scope for decentralised management and a certain measure of dispersal of flexibility and initiative even in the planning of economic decisions.

17. It is also wrong to think that normal economic incentives have no place in a socialist society. On the contrary, economic incentives need to be used with this difference that their operation and incidence will be planned in the light of the social objectives whereas they work in a haphazard and largely anti-social fashion in a capitalist society. No socialist society can merely rely on legislation or coercion for implementing its programme of production and capital formation. At best, they can only have a negative effect. Speeches and exhortations can create a favourable atmosphere but cannot in themselves be a substitute for incentives. It is only incentives that can influence individual behaviour and it is individual behaviour and reaction that determine to a large extent the efficiency of national economic effort. Hence the need for a close study of incentives in a socialist society. The only caution I would add is that: (a) incentives are not only monetary but can also be in terms of prestige, public appreciation, etc., and (b) care should be taken to see that the balance of incentives is favourable, as a favourable incentive to one person or class may be accompanied by an opposite effect on another person or class.

18. A socialist order cannot be brought into existence without changing the institutional framework of the society in question; and these changes do not only relate to the organisation of economic activities like production, distribution, exchange and consumption. Changes have to be brought about in the basic

institutions and values that govern and advance or hinder economic activity and growth. Thus, as we have already seen, there has to be a wholesale review of the rights of property and of property relations. And it is essential that: (a) property rights are severely limited, and (b) ceilings are placed on individual property and ownership of all property above those ceilings is transferred to the community at large. Ceilings on land in rural areas must have their counterpart in urban areas; and this should take the form not of ceilings on urban income as is usually suggested but of ceilings on property of all kinds in the country, whether landed or otherwise and whether owned by rural residents or by urban residents. Income can remain without a statutory ceiling, though obviously the tax burden that income will bear will sharply increase with size.

19. A second important set of institutional changes relates to the need for creating organisational opportunities for co-operative economic activity that will maximise both individual effort and efficiency. This means co-operatives in agriculture and small industry, panchayats in rural areas and mohalla committees in urban areas, and worker-participation in factories and other organised economic activity. The important thing to note in this connection is that those institutions cannot be effectively brought into existence merely by legislation or official pressure; *what is needed is a great deal of education, both on a national scale and on an individual basis, as also the training of cadres both for understanding and manning those institutions.*

20. *A third set of institutional changes needed is in the realm of education from the primary to the university level.* A socialist society implies a change in values and different approach to practices and institutions based on the old values that now needed change. This is not easy to achieve nor can it be done within a short period. The entire system of education in the country will have to be reviewed from this angle, one basic objective of education being accepted as the creation of understanding and acceptance of and preparedness to work for a socialist society among the pupils who pass through the different tiers of the educational system. Obviously, this has to be done with great skill; what is wanted is not propaganda but education. In effect it means the understanding and acceptance on the intellectual and emotional plane of the new

social order that socialist society represents; and this cannot be done except as an integral part of the educational system of the country. It may be made clear, however, that what is proposed is not suppression of all thinking opposed to the socialist ideal. While obviously anti-socialist propaganda of a tendentious character cannot be allowed in a Socialist State, there will be the fullest freedom of thought in universities and educational institutions and room for professors and teachers who may even hold or expound an anti-socialist ideology, always provided this is done in an intellectual and objective way and not for purposes of political action.

21. It is also important to note that a socialist society does not mean either a centralised society or a bureaucratic society. If the individual is denied initiative and freedom, not only will his personality fail to develop but even his productive capacity will not be fully realised. Hence, the need for constant vigilance in a socialist society on the activities of the functionaries. Hence also, the need for building into a socialist society the principles of decentralisation, co-operation and democratic management with a view to creating a positive force for the maintenance and development of individual worth and dignity. This aspect of socialist organisation needs much greater attention than it has received so far in socialist writings. Indeed we cannot too strongly emphasise the importance of providing within the framework of a socialist society and in fact as a part thereof—the machinery, practices and rules of conduct that will not only secure efficiency on the part of enterprises in the public sector but also prevent their bureaucratisation, deter dishonesty and nepotism in their operation and make them function in such a way as to be consistent with the human worth and dignity of the individual, whether worker or consumer or citizen who comes into contact with it. This is the fundamental difference that sets off public enterprises in the socialist society of our conception from those in some other societies which call themselves or are termed socialist. It is necessary that a comprehensive study is urgently made into this whole question of how to make State enterprises fit in with the human values and the ethical content of the kind of socialist society that we visualise. In view of the growing and accelerating importance of public enterprises in our Plan for economic

development, it would be useful if this study were undertaken and completed well before the commencement of operation of the Third Five Year-Plan.

22. Finally, one cannot emphasise too strongly that socialism is not only an economic doctrine of growth and productivity but even more a set of values and ideals that gives meaning and inspiration to individual human effort. As far as we in India are concerned, it is possible to find in our own literature and philosophy the basic ingredients of a free, equal and just society; and the more this Indian base in the ethical and cultural field is emphasised, the easier will be the task of educating the country into accepting the responsibilities that a socialist society imposes on its individual members.

23. I am afraid that what has been said above is no more than a sketchy and preliminary version of a vastly important subject. Nevertheless it does, I believe, bring out certain major implications of a socialist society which those who have proclaimed their allegiance to the socialist ideals would do well to ponder over. Socialism is not just a religion that one can accept on Sundays and ignore on week days. Indeed no true believer in religion will accept that religion is to be observed only on Sundays; but the fact remains that religion does not have that all-permeating effect on life and conduct and human relationship that one would have expected of it in view of the allegiance that so many hundreds of millions proclaim to it. This is because it has become just one institution among other institutions. Socialism is different. If socialism is to be achieved, then it must function through all institutions. Hence, the need for drastic overhaul in our institutional frame-work as also in our human relations, if we are to build up a socialist society. Therefore, it is necessary that priority of discussion should be given to the meaning and implications of a socialist society. Once we understand and accept with understanding the implications of a socialist society, the rest becomes easier. We can then go ahead and give the thread and link of unity to our Five-Year Plans and thereby release that national will and endeavour without which it is not possible to implement any of our major plans for economic development.

UNTOUCHABILITY

SHRI V.L. MEHTA

FOR the purpose of eradicating untouchability, it is essential to remove the degradation attached to certain occupations. Only two occupations in which scheduled castes engage themselves are dealt with here:

- (i) scavengers and sweepers ; and
- (ii) flayers and tanners.

(i) What the programme for the first category should comprise would be appreciated on a perusal of the report of a committee appointed by the Government of Bombay some ten years back to inquire into the conditions of work and life of scavengers and sweepers. Some of the recommendations of the Committee were accepted by the Government of Bombay a few years back. Very recently that Government has drawn up a scheme for the grant of financial aid of various descriptions to village panchayats, municipalities and other authorities for introducing a system for the removal and disposal of night-soil, suited to the conditions of villages, towns and cities. It is on similar lines that a programme may be framed for all States, with suitable financial provision made for the purpose in the Third Five-Year Plan.

(ii) Another aspect of the problem of untouchability is presented by the odium attaching to another occupation followed by scheduled caste communities, namely, the removal of dead animals, the flaying of carcasses and the tanning of hides and skins. The odium will disappear to the extent the operations are carried on (or those carrying on the operations are enabled to do so) in proper hygienic conditions. It will have a good effect if all over the country, in rural areas, demonstrations are conducted with the help of persons not belonging to the scheduled castes. There are economic potentialities in industries based on the disposal of carcasses and if the potentialities are fully explored that will help in raising both the level of earnings and the economic

status of those engaged in what are looked upon as unclean occupations. No doubt, the development of the tanning and leather industry is included in the programme of the Khadi and Village Industries Commission. But the programme is, in no sense, worked now on a nation-wide basis, since its importance in producing wealth from waste and its bearing on promoting social equality have not apparently been fully realized. There may well be more intensive efforts in this field, with demonstrations undertaken, according to a phased programme, in every block development area, and facilities for practical training extended and made available at least at one centre in every State. Adequate financial provision should be made for both the purposes.

EQUALITY OF OPPORTUNITIES

SHRI U. N. DHEBAR

THE Second Five-Year Plan laid down the following as the objectives to be achieved :

- (i) Sizeable increase in the level of living,
- (ii) Rapid industrialisation,
- (iii) Expansion of employment opportunities, and
- (iv) Reduction in inequalities in income and wealth and a more even distribution of economic power.

2. We shall have to add to these objectives and include increase in agricultural production especially food production as also a specific objective to secure equality of opportunities for the people. It is touched upon in the Second Five-Year-Plan but we shall have to take it up in a positive manner.

3. Reduction in inequalities is vitally necessary and accepted as one of the objectives of the Plan, both to create the necessary psychology and climate for a community effort and to provide resources which are so scarce. But if we have to make any significant change in the social conditions and to create a climate in support of the new social values, we shall have to actively pursue the matter and demonstrate in action what those values will be.

4. We are in the ninth year of the planned progress. We have invested in our economy Rs. 3,100 crores in the First Plan period and about Rs. 5,000 crores in the three years of the Second Plan period. At the rate of capital-output ratio 2:1 the national income must have risen by Rs. 4,000/- crores. It will be necessary to examine the sectors, areas and classes that have benefited by such investment or increase in the national income. It is similarly necessary to consider if the steps taken by us to remove the anomalies in our economy which existed in the pre-Independence period are proving adequate.

5. The existing social structure has in the case of some social layers deliberately denied to them the

opportunities which were allowed to others. These were deliberate acts of omissions and their remedies will also have to be as deliberate if these acts of omissions are not to operate as permanent handicaps to the social layers affected thereby. Secondly, social outlook does not change in action with the speed with which the social objectives are manufactured. The old notions about rank, privilege, status take their own time to melt, and in the meantime they continue to augment in the case of some, and diminish in the case of others, opportunities of life. The Indian society has like any other society got its strong points as well as weak points. It becomes our responsibility to see that its weaknesses do not result in hampering the progress of any section or a class of our country or population. Thirdly, some of the handicaps or obstacles may be seemingly of a non-economic character. But it would be advisable to look beneath the surface not suspiciously but to satisfy ourselves that these obstacles do not lead to discrimination in the economic sphere or does not lead to it. What I have stated in the subsequent paragraphs is based upon these considerations.

Equality of Opportunities for Harijans

6. In the case of Harijans, there had been a deliberate denial of opportunities of life that were available to the rest of the people even in the old economic set-up. If the deliberate harm is to be wiped out the problem of equality of opportunity to the Harijans has to be considered on a special footing. Effort is, of course, being made. It would be, however, advisable if we can take some fundamental steps to see that it succeeds in the spirit in which it is aimed at.

I suggest the following steps :

(i) The surplus agricultural land on the application of ceilings and the cultivable waste available with the Government be given to Harijans primarily. We have, of course, other landless labourers to provide for. We cannot, therefore, vest the entire land in the Harijans. But a quota can be fixed for them, having regard to conditions in each State.

(ii) Enlistment in the public services can be facilitated by adopting the following steps :

(a) I am told that there are rules providing

reservation of seats. They should be enforced.

- (b) Arrangements should be made for preliminary training to Harijan candidates so that they can have better chances to satisfy the P.S.C. or the Selection Boards.
- (c) Similar arrangements can be made for post-recruitment training and thus their promotions to higher posts can be facilitated.

(iii) Increased facilities can be given to the Harijans in the technical lines both at the educational and training level as well as the employment level. This has to be worked out.

(iv) Other benefits to continue for a period of 10 years even after the electoral provisions of the Constitution expire.

Equality of Opportunity for Women

7. This is another class that has suffered. Hindu women have suffered in various ways. Some justice has been done to them now under the new Hindu Code. Some progress has been achieved in the field of education too. One essential condition of their amelioration is facilities for education and some kind of work which could lead them towards economic independence. Nursing, Teaching, Steno-typing work in the initial stages, would be a good opening for the average amongst them. It is not yet possible for women to go to private firms in large numbers, except in big cities. Once an opening is created for them in the district and sub-divisional or tehsil town offices, it will spread. It would be desirable for the Government to give a lead at these levels. Others, such as banks, insurance, industries etc. will then follow. Of course, the qualification test will have to be fulfilled.

Equality of Opportunity for Other Sections

(a) Scheduled Tribes—I would suggest 6 (ii) and (iii) for them.

(b) Minorities—I have referred to the social outlook of our people lagging behind the accepted social objectives. We have a special duty to them in view of the trust reposed by these people in our leadership.

Rural Areas

I give in Appendix (A) the population-wise break-up or grouping of the villages, towns and cities in India. We have to work out a schedule of minimum social services or minimum amenities to each group. A national minimum should be assured to them within the Third Plan period. I would include the following amenities depending upon the size of the village :

- (i) Drinking water facilities
- (ii) Sanitation
- (iii) Lighting
- (iv) Educational facilities
- (v) Medical facilities
- (vi) Communications including roads, posts, telegram, telephone, and
- (vii) Electricity.

Backward Regions

It is necessary to define the term backward. In one sense, the whole country falls in that category. However, I would say it as a region of a substantial size with a substantial population, which is agriculturally, industrially and in every other sense backward. This would be the special concern of the State.

Children

All children, whatever the social or economic condition of their parents, should be assured of the following rights as the minimum to begin with :

- (a) Free medical treatment in case of an ailment which is likely to result in any permanent disability or a handicap of a permanent character.
- (b) Free mid-day meal during the kinder-garten or primary schooling hours.
- (c) Free education up to the age of 11.
- (d) In the case of children with merit, free education at the secondary stage and at the State cost in higher standards, that is beyond the secondary stage. I would include hostel charges also.

Old and Infirm

People certified to be suffering from total incapacity because of old age or other cause and whom the

APPENDIX(A)

A Statement showing the Number of Villages according to the Strength of Population

<i>Denomination in the Census Report</i>	<i>Population</i>	<i>Number</i>	<i>Males (million)</i>	<i>Females (million)</i>	<i>Percentage</i>
Villages	Less than 500	380,000	40	38	26.5%
Villages	500— 1000	104,268	37	36	} 48.8%
Villages	1000— 2000	51,769	36	35	
Townships	{ 2000— 5000	20,508	30	29	19.4%
	{ 5000— 10000	3,101	11	10	5.3%
Minor Cities	10000— 20000	856	6	6	
Major Cities	{ 20000— 50000	401	6	6	
	{ 50000—100000	111	4	4	
Total		561,014	170	164	100%

District Magistrate certifies to be without any means of livelihood should be entitled to rations on a prescribed scale.

Dignity of Work and Labour

(a) Rewards and awards both monetary and non-monetary should be created for meritorious performance in the field of agriculture, industry, education, science and technology by persons actually performing these functions.

(b) At the same time unearned incomes of every description should be heavily taxed.

(c) So also functionless incomes should be similarly curbed.

Similar caution is needed in the case of contracts, permits, licences issued by the State or the Union Government in which such relatives are directly or indirectly concerned.

Section—III

MAIN ISSUES RELATING TO FINANCIAL RESOURCES FOR THE THIRD FIVE-YEAR PLAN

THE question of mobilisation of resources has to be considered in the light of their availability and in the context of the level of effort required to fulfil the targets shown in the Third Five-Year Plan. On the existing basis of taxation, there will be hardly any surpluses available to the Government. The gap between availability of resources for financing investment and the need for resources will widen as some of the Revenue Account expenditure in the Second Five-Year Plan becomes committed expenditure in the Third Five-Year Plan. The current level of exports is just sufficient to finance maintenance imports. And we have always to be on guard to avoid generating inflationary pressures that might upset internal price-stability and react adversely on the balance of payments. It would appear, therefore, that in the Third Five-Year Plan, it will be necessary to secure from the economy much larger resources than during the Second Five-Year Plan. The problem of resource mobilisation at this stage cannot be reduced in terms of itemisation of yield from certain measures of additional taxation. A broad approach to the problem is indicated below :—

(1) *Increase in Production* : Basically the problem of raising more financial resources hinges on enlarging the pool of resources from which claims of investment and consumption have to be met. Continuous efforts have to be made to increase industrial and agricultural production, in particular, foodgrains. This is a crucial link in the chain of increased resources, increased savings and more taxation.

(2) *Techniques and Agencies to mobilize surpluses* : Next, attention should be focussed on devising adequate techniques and agencies for the mobilization of surpluses in the economy, especially those accruing from agriculture and public enterprises and directing a reasonable proportion of these towards investment in the public sector. This process

stipulates structural or institutional changes which should prove to be effective in the long run but are not likely to yield quick results. The establishment of a network of Panchayats and service co-operatives in the rural areas and development of joint farming and State trading in foodgrains have a key role to play in the creation and mobilisation of surpluses in the agricultural sector. It remains to be seen, however, to what extent Panchayats and co-operatives will help in securing an increase in agricultural production and in the marketable surpluses during the Third Plan period. In its nature, the organization of village co-operatives and Panchayats on a sound footing is a long process and, therefore, intensive efforts will be required to accomplish durable results. The promotion of joint farming societies on a voluntary basis raises the vital question of incentives and a break with long tradition.

(3) *Contribution of Public Enterprises*: Before the public undertaking can make larger profits and thus contribute to the financing of the Third Plan, it is necessary that their pricing policies should be determined largely on commercial principles. At present, this is not the rule in a majority of such enterprises which are of public utility type and even in the case of some of the commercial and industrial undertakings. In U.K., the pricing policies of nationalized industries generally follow the principle of "breaking even" or balancing the losses and profits over a period of years. A change in policies regarding price fixation of products of public enterprises in India will impose greater sacrifice on the part of the community.* This matter requires detailed consideration by the Working Group on Resources which has been entrusted with the task of making an assessment of financial resources for the Third Plan.

* The Taxation Enquiry Commission (1953-54) observed :

"In certain cases where the State has made substantial investment, a policy of regulating prices so as to secure an adequate return on the capital invested is not only unobjectionable but may indeed be desirable...We see no objection to pricing policies which aim, over a long period, at realising a surplus from the operation of State undertakings...This is equivalent to the process, as applied in the field of public enterprise, of reinvestment or ploughing back of profits which in private enterprise (Corporate Sector) has been a principal means of financing development in recent years.

(4) *Mobilization of Idle Manpower*: The mobilization of unutilised manpower can make a considerable contribution to the investment effort in the Third Plan. There are certain aspects of the question which deserve careful consideration :

- (a) whether the approach should be purely voluntary or on a compulsory basis, albeit within the democratic frame-work.
- (b) the incentives to be provided to the unemployed and under-employed to give their best.
- (c) the specific purposes for which the idle manpower should be utilized so as to yield a net return and also to stimulate mass support and participation of the people in the development effort.

Given the fact that it would be unrealistic to expect Shramdan on a large scale and on purely voluntary basis and, further, that the success of development effort demands a measure of discipline and sacrifice by every individual, it is for consideration whether compulsory national service should be enforced by law.

Such an experiment which should be launched as early as possible will have great psychological repercussions and can be extended later in the light of the experience gained. Arrangements have to be made for training, supervision, provision of tools and equipment and supply of requisite raw materials etc. A decision has also to be reached regarding remunerating the working force partly in cash and partly in kind *i.e.*, clothing, etc.

(5) *State Trading*: In the conditions of an under-developed country like India, there should be no objection in theory to the use of State trading to finance development. The policy regarding State trading in foodgrains having been decided upon, its contribution to the resources will be determined mainly by the difference between purchase price and sale price. This, in turn, will depend on what is regarded as a reasonable price which the consumer can be expected to pay without undergoing any great hardship. It is to be considered whether State trading should be extended to other commodities where the margin of profit is fairly high such as raw cotton, raw jute, tea, sugar, principal metals and

ores, chemicals, oilseeds, etc. There are great possibilities of augmenting the resources pool through enlargement of State trading activities, provided, of course, administrative limitations can be overcome.

(6) *Mobilisation of gold hoardings*: In view of acute problem of financial resources, the question of making productive use of 100 odd million ounces of gold in private hands deserves to be reviewed afresh.

(7) *Religious endowments*: The property vested in religious bodies belongs to the community or may be a section. But there is every justification to utilise it for development purposes. The necessary legislation for the purpose should be undertaken or expedited as the case may be.

(8) *Other Non-tax Sources*: (a) The Life Insurance Corporation should be able to make a larger contribution to the pool through expansion of its business, particularly in the rural areas. Its business had risen by 22 per cent from 281 crores in 1957 to Rs. 344 crores in 1958. The Corporation has planned a five-year programme, at the end of which business is expected to rise to Rs. 1,000 crores. It has been suggested that a target of Rs. 4,000 crores for new insurance policies in the rural sector over the Third Plan period is by no means beyond achievement.

(b) Nationalisation or regulation of scheduled banks also deserves serious consideration, especially in the context of the need for providing adequate funds for putting through development expenditure as distinct from non-productive, non-development expenditure.

(c) The establishment of fiscal monopolies merits closer examination.

(9) *Additional Taxation*: Opinion is held that taxation has reached a stage where further tax effort will be difficult. If the tempo of progress is not to be slowed, of course, it should be possible to raise about Rs. 1,000 crores through fresh taxation and another Rs. 100 to 150 crores through plugging the loopholes which allow considerable evasion and avoidance.

The Government of India and the States will, no doubt, examine the scope for fresh taxation in some detail and suggest specific measures. Here it should suffice to say that apart from marginal changes in direct taxation which should increase the yield to

some extent, additional taxation, by and large, should come mostly by indirect taxation. The main possibilities appear to be :

- (a) imposition of new excise duties on certain commodities of luxury and semi-luxury consumption.
- (b) substitution of Central Excise duties in respect of a number of commodities, in place of State Sales Taxes, where there is considerable evasion.
- (c) incidence of rural taxation to be made more progressive.
- (d) A betterment levy on urban lands and
- (e) raising the rates of taxes on urban immovable property.

It is important that to ensure raising of additional taxation without causing undue strain to the economy, adequate steps should be taken for stabilisation of prices of basic necessities like food, clothing etc.

UTILISATION OF IDLE MANPOWER

SHRI G. L. NANDA

THE approach to the problem of a full utilization of the manpower in the rural areas may chiefly take the following directions:

- (i) Primarily through expansion of normal employment opportunities, ensuring that the investment pattern provides a proper balance between capital-intensive and labour schemes of development.
- (ii) Useful work for the local community mainly of a productive character, and partly also to provide urgently needed amenities.
- (iii) Special arrangement for output of goods and services, which the people need, but are not marketable in the ordinary way.
- (iv) Organised voluntary service.

The largest scope for extension of employment, apart from that secured through the intensification of the development process is likely to be provided by the second category. There is considerable variety of choice in this respect, depending on the needs and conditions in different areas, preference should be for programmes which offer large "net surplus". Irrigation facilities, land reclamation, planting of trees, work on community lands, and several other avenues may add to production and incomes directly, but even such assets as a *pucca* road linking a village with the nearest market town or a school or dispensary building will also contribute to increased efficiency, of investment outlays under the Plan.

What can be the scale of such activity? It will depend, on one side, on the work potentials of the aforesaid type and the surplus manpower which can be utilized. In respect of both these aspects there would be large variations from place to place. It will be permissible to assume that for some years to come, there will be no dearth of useful work to which unused time can be applied, provided that the programme is not confined to a single village, in respect

of the available surplus. It may be planned on the basis of a group of contiguous villages.

The size of the additional manpower which could be enlisted for such programmes will have some relation to the terms which are offered. If it is restricted to what may be considered to be economically feasible, or nearly so, it may on the whole be taken as about 20% of the rural labour force i.e. an equivalent of about two crore work-seeking persons.

It has to be borne in mind that the ratio of unabsorbed manpower will depend on the economic policies which are pursued in respect of processing of the produce of the rural areas e.g. cloth, rice husking, oil pressing etc.

It would not be a workable proposition on a large scale if normal wages have to be paid for this work. But it may not be forthcoming on any considerable scale, if the payment does not at least cover the basic minimum needs of the worker, in cash or kind. That may vary between 60% to 75% of the current rate. For purposes of rough calculation, if we adopt the figure of twelve annas per day for a year of 300 working days, the annual wage bill will come up to about Rs. 450 crores. If we include expenses on organization, implements and training, the total amount may be in the neighbourhood of Rs. 500 crores.

The total village community should be in a position to meet practically the whole of this cost, if effective use is made of this labour for productive purpose.

The payment can be made in kind, for the most part, by making collection from the families which would benefit by this work. But even on the assumption that in the initial stages the work may not be so efficient and some assistance may be called for, it should not exceed about 20% to 25% of the total outlay, i.e. about 100 to 125 crores. Incidentally this would be about the aggregate amount of land revenue collected in the country. This amount may be provided by the Centre and the States together.

The 50 : 50 basis adopted for local works cannot lead to any appreciable results, because it will not be possible to allocate in the Plan such large sums for this purpose. In the First Plan, the expenditure on local works schemes amounted to Rs. 12 crores only and in the Second Plan the provision of Rs. 15 crores

was made for this purpose. It cannot be said that these schemes made any impression on the unemployment problem to achieve any worthwhile results. It would be necessary to allocate about Rs. 100 crores a year, as the 1/5th contribution, the balance being provided by the village community. It may be necessary to give further assistance in the shape of a certain amount of short-term credit which may be free of interest.

The success of this programme will depend very much on how well and adequately it is organized. It will have to be properly planned both at the village and the area level. This should be coordinated with the other development programmes for the area, especially those of the Community Development Administration. For execution reliance will have to be placed, chiefly, on voluntary organizations, working as agencies of the Panchayats.

PSYCHOLOGICAL IMPEDIMENTS TO RAISING RESOURCES IN AGRICUL- TURAL SECTOR

SHRI C. D. DESHMUKH

BY way of introduction it is enough to state that even for a fairly advanced country, with no particular problems in the way of promoting a planned economic development, the rate of investment has to be 15% of the national income in order to yield the necessary addition to the income from year to year, in order to maintain, and, if possible, slightly improve living standards. In the case of the totalitarian countries, where global plans for economic development are undertaken in order to remove the existing disparities in living standards between themselves and the more advanced countries, the corresponding rate of investment has to be nearer 25 ; and in the case of most of these countries it is claimed this rate of investment is in practice attained in the implementation of their respective plans. Even in a country like Japan, with problems somewhat similar to ours on account of the growth of population within a confined area in which there is no room for increasing, effective measures have been taken to establish an annual rate of investment not far short of 25 (not to speak of equally effective steps taken to reduce the rate of increase of the population to near unity within a period of 10 years). Our present rate of investment is 8% and our problem for the current Plan and the next Five-Year Plan will be gradually to step this rate to 11 or 12 and then at least to 15. Two things have to be borne in mind in connection with our rate of investment ; one, that it is not uniform over all the sectors of our economy, and two, that the bulk, that is to say, between $\frac{1}{2}$ and $\frac{3}{4}$ of our production of physical goods or national income comes from the agricultural sector. There is reason to believe that whilst agricultural production occupies such a dominant position in our economy the rate of investment is perhaps markedly below even the average figure of 8%. Precise statistics bearing on this matter are not perhaps available, but there are indications that whilst

the direct recoveries for public savings amount to less than 3% of the gross production, the collections by way of indirect taxes are also somewhere round this figure.

In the context of planned economic development we speak glibly of rates of investment and this concept is fairly easily intelligible to the educated minority in the country. The bulk of the rural population, however, is illiterate and uneducated and will, I am sure, experience a great difficulty in understanding the idea of a social investment for social gain in the very wide context of the national or even the State economy. Nevertheless, so far as the village community is concerned, from times immemorial the common interests of the village have had a specific meaning for the villagers; and although in recent years these ideas might have been weakened by other confusing influences from outside, it should not be too difficult a matter to revive and reinforce. This should be assisted by recent policy decisions that have been announced in connection with the establishment of the Panchayats and Cooperatives and the transfer to these institutions of the bulk of the local development projects.

In such a setting we have to evolve and propagate ideas of raising resources which would be new in the sense that matters have not been perhaps presented to the villagers in that light. The villager, like everyone else, of course, realises the significance and importance of private saving for private investment by an individual or a family and the idea would never cross his mind that this voluntary saving is in any sense a tax, levy or imposition. On a small but significant scale in many villages the villagers have also come forward with their own contribution raised voluntarily towards the construction of amenities like wells, tanks, schools, dispensaries, roads etc. There has also been some acquaintance in the rural areas with the cessess collected at so much percentage of the land revenue which are earmarked and used for purposes of local development. Here although the cess is in the nature of an imposition by law it is hardly ever resented. Our duty now in the context of the dimensions of the resources to be raised is to introduce gradually and on a wider and wider scale the idea of investment for local gain out of the steadily increasing agricultural production, without entrenching on

current standards of consumption and, if possible even after allowing for a slight and continuous improvement in these. It is unlikely that during the period of the next 7 or 10 years of which we are thinking it will be possible for us entirely to dissociate from the resources raised the concept that at least partially it is a statutorily levied tax or cess and indeed some of the resources would continue to be raised openly in this form. But, for the rest, the idea must grow that what is raised is in the nature of saving analogous to the private saving of an individual for strictly local purposes. Once this idea gets hold of the mind of the people in the rural areas there is no reason why we should not be able to emulate at least within hailing distance the achievements of totalitarian countries without sacrificing all the values of democracy which we rightly hold so dear.

In purely statistical and economic terms, oversimplifying for illustrative purposes, the problem is indeed reasonably simple. We assume that the annual income is 100 and that 6% of this is saved while 94% is consumed. Our endeavour is to so arrange annual investment as to increase the production in the agricultural sector annually by 6%. If we succeed both in raising the necessary resources in the initial year as well as in raising the production by the desired figure, and neither should now present undue difficulties in view of the fact that many of the plans laid in the first 8 years of planning are now bearing fruit, then our proposition to the villager would be that he keeps 3 out of the 6 for improving his consumption standards and the rest for investment, through local machinery constituted by his own choice for further increasing the social capital and amenities. If this succeeds then in the next year what would be available for investment would be 6 plus 3 *i.e.*, 9 out of 106, which would be a larger percentage than 6%. Oversimplifying the problem and assuming again that all years are normal and all persons are average persons, this process can go on year after year enabling us to complete the Plan as desired much to our satisfaction as well as to the satisfaction of the village community.

When we come to the hard realities we shall, of course, find that even within the low levels of incomes and production in the rural areas there will be disparities and that the village community, whether

at the village level or at Taluka or District level, will have to spread the burden of saving, if it can be called a burden, unevenly and in a progressive and not regressive fashion. But those matters ought to be amenable to resourceful treatment in the hands of those who have taken the trouble to collect the necessary statistical data. As stated above, some of the savings will be in the form of land revenue, some in the form of cesses and some perhaps in the form of the reserves of co-operative societies.

It is in the last context that the overall formation of the co-operative society assumes very great importance. It is my belief that if any plan is to succeed then we shall have to plan to cover the whole countryside with co-operative societies for joint farming and allied semi-industrial or even fully industrial small-scale occupations. In a phased programme spreading over five years of the plan, it is my belief, that it would be easier to convey the concept of saving for investment to replace the concept of a tax, a cess or a levy through co-operative societies than through any other means.

As stated earlier, the actual rates of savings will differ according to the sub-strata within the rural society and, may be, there will be classes from whom no saving will be expected, whereas at the top there will be others from whom as much as 25% of their income might have to be taken right from the beginning in order to make an average to the desired extent raising it from 6 to 12 or 15%.

In order to consider whether some co-relation can be established in a dimensional way between the total value of local projects and the total resources necessary, one would have to analyse the plans of the States. As far as one can anticipate the total State plans would be of the order of some Rs. 2,300 crores for the five-year period or Rs. 660 crores per year, for a population of 32 crores, yielding a figure of round about Rs. 20 per head. It may be that some of these would be in the nature of large-scale industries or provincial high-ways or other matters which could not be regarded as local ; but I imagine that the local projects might come to Rs. 12 to 15 per head and this does not seem to be an excessive figure to raise from rural areas and agricultural production if only the matter is properly explained to the villagers in the way indicated above.

**Proposals of Sub-Committee of National
Advisory Committee**

**REPORT ON STRENGTHENING
PEOPLE'S AGENCIES**

THE National Advisory Committee on Public Cooperation at its meeting held on 5th November, 1958, appointed a Committee for formulating proposals for strengthening voluntary welfare organisations, cooperative societies and Panchayats and other local self-government institutions, for training non-official personnel paid and unpaid and for bringing about coordination and avoiding duplication in their work. Smt. Durgabai Deshmukh was nominated as the Chairman of the Committee with the following members:

1. Smt. Durgabai Deshmukh (Chairman)
 2. Shri Saroj Ghosh
 3. Shri N.S. Kajrolkar
 4. Shri Chandan Sinha Bharkatiya
 5. Shri Sankar Saran
 6. Shri V.M. Kulkarni
 7. Shri S.R. Bharatiya
 8. Shri B.J. Patel
 9. Shri Lal Singh Tyagi
 10. Shri M.R. Jalan
 11. Mrs. C. Thiruvady
 12. Mrs. Jaya Rajan
 13. Shri Rohan Lal Chaturvedi
 14. Shri Krishna Prasada
 15. Shri K.P. Madhavan Nair
2. Shri N.S. Varadachari, Officer on Special Duty, Public Co-operation Division, Shri Jagat Narain Jain, Under Secretary, Shri K. S. Ramanathan, A.I.O., and Shri Shantilal Kothari, Special Assistant to the Minister, Planning, assisted the Committee.
3. The Committee held five meetings, on 5th Nov. 1958, 14th Nov. 1958, 8th Dec. 1958, 5th Jan. 1959 and 8th Jan. 1959.

4. The Committee also decided to invite memoranda and suggestions from voluntary organisations. A press note inviting suggestions and memoranda was issued and separate letters were addressed to some of the important all-India voluntary organisations. The suggestions received in response to these have been taken note of and those found acceptable have been incorporated in the report.

5. The main work of the Committee was divided into three parts, namely, strengthening of (i) voluntary welfare organisations, (ii) cooperatives, and (iii) Panchayats and other local self-governing institutions. In regard to each one of these types of bodies, the Committee studied their strength and weaknesses. On the basis of this study, the Committee formulated measures

- (a) to strengthen them
- (b) to avoid duplication and secure larger measure of coordination, and
- (c) to equip them with properly trained personnel.

The Committee has also indicated the need to undertake some revision of grants-in-aid and other policies of Government.

6. The Committee took note of the fact that the voluntary character of an organisation depended on its freedom to choose and operate its programmes. It was presumed that the voluntary organisations would, in the matter of the choice of programmes, conform as far as possible to the broad outlines of the policies and priorities indicated in the National Plans. It is not merely desirable but absolutely essential to strengthen the work of such organisations since public cooperation and participation is to be the basis for formulation and implementation of national plans of development. There are voluntary organisations of all-India character and there are also organisations at regional and local levels. The effective functioning of these organisations would depend in a large measure on the proper coordination of their activities *inter se* and with the Government. The Committee noticed a general desire among voluntary organisations to seek larger fields of work and better coordination in their efforts. With a view to helping voluntary organisations realise their plans for expanded activities and play their proper role in overall national develop-

ment programmes, the following recommendations have been made:

7. The Committee recommend that it is necessary to define the criteria for the recognition of voluntary agencies of all-India character. The Committee feel that an all-India organisation to be so considered must fulfil certain minimum requirements, such as the following:

A national policy in regard to their work; representative character; competence to guide and supervise branches or affiliates, if any; definite programmes related to specific fields of work; and ability to raise resources.

8. The Committee consider it desirable that the sponsors of voluntary organisations should, as far as possible, confine themselves to a few activities at a time in the interest of standards of work to be aimed at. It is then that they would be able to devote more time and energy to specific programmes of the organisations. It is desirable to point out here that voluntary organisations should try to bring about greater coordination among themselves with regard to their respective fields of activity, and plan their programmes in consultation with their sister organisations.

The Committee further feel that it is necessary to promote intensive consultation amongst voluntary agencies at the national level and also facilitate consultation with the Government departments on the one hand and the agencies on the other on specific programmes of work. With a view to achieving this object, the Committee recommend that a representative permanent Committee of the National Advisory Committee on Public Co-operation may be constituted.

The Committee further recommend that the N.A.C. should take early steps to have at the State levels Advisory Committees formed on the lines of the N.A.C., so as to facilitate closer coordination between the State Governments and the voluntary organisations working in the States and bring about increasing public cooperation and participation in development programmes.

The Committee note that programmes, quality of work, personnel and adequate funds are matters

which are intimately inter-related. The Committee note that people are more inclined to contribute for actual field programmes of voluntary organisations and not so much for administration and personnel of these organisations.

If voluntary organisations are ensured a minimum staff structure and qualified personnel the standards of work of these agencies will be improved. This would result in sustained efforts and better quality of work. It is, therefore, necessary that voluntary organisations should have dependable sources of income to meet the cost of their basic staff structure and administration. The Committee, therefore, suggested that grants given to voluntary organisations should be so made as to include provisions for the staff structure and administrative machinery.

The Committee recognise the existence of multiplicity of organisations, but, in the interest of work, would suggest that the voluntary agencies should be requested to redefine clearly their objectives and their areas of operation. This will remove to a great extent duplication and overlapping arising out of multiplicity now noticed.

The Committee feel that it is necessary to keep functions like planning, evaluation, collection of funds and dissemination of information etc. apart from field operation of programmes. The field work agency should concern itself with the implementation of programmes formulated. This approach will bring about better functional efficiency and organisational co-ordination.

The Committee are of the opinion that while voluntary organisations should continue to receive grants-in-aid on a more liberal scale, receipt of such grant should not impair the voluntary character of the organisations. The organisation should continue to raise funds and use voluntary services offered to them in an organised manner.

The Committee note that one of the deficiencies to be made up in relation to the working of voluntary agencies is the provision of training facilities for the voluntary and salaried personnel of these agencies. The training courses should, as far as possible, be standardised and maintain a high quality of instruction. It is desirable in the context of the planned activities to have adequate general know-

ledge imparted to all voluntary workers regarding the national plans. It is desirable that such training programmes, when drawn up, should be financed by government and should be run mainly through voluntary organisations.

The Committee noticed that in many places a large number of small organisations exist and function. Very often they do not have adequate personnel and administrative machinery. The Committee, therefore, suggest that coordinating councils may be promoted, wherever possible, to help such agencies and groups to deal with matters like administration, accounts, raising of funds, making applications for grants etc. The coordinating councils will not engage themselves in any field work.

The Committee desire that full information be made available to voluntary organisations regarding the sources from which grants could be obtained for various programmes. If such information is made available, the task of voluntary organisations applying for grants would be rendered easy.

The Committee emphasise that when development programmes are being drawn up in various fields, appropriate voluntary organisations should be consulted and whenever such programmes admit of implementation through voluntary agencies, they may be preferred.

The Committee are strongly of the opinion that in the interest of the establishment of minimum standards for the work of the voluntary agencies, it is essential that they should be given liberal assistance, and in return the aided agencies should give cooperation to the grant-giving agencies, in the enforcement of minimum standards. The present terms and conditions on which grants are made available should be accordingly revised and a new liberal grants-in-aid policy be formulated. While the Committee note that there is need for strict adherence to the terms and conditions of the grants, and for adequate audit control, all this should be so regulated as not to impede the progress of work itself. The procedure for receiving grants should be simplified to facilitate receipt of grant, once it is sanctioned. Rules and regulations should not be inhibitive.

Part II—Cooperatives

The Committee consider that the cooperative movement affords immense possibilities for public participation in developmental programmes. Co-operative societies are ideal organisations, because their number is very large and, even as they exist, they are functioning all over the country. They are mobilising a very large number of voluntary workers. These cooperatives, by activating latent resources and manpower, are creating new wealth, a portion of which is set aside for welfare activities of the community. Cooperatives are democratic organisations, training people in the principles and practice of democracy. The Committee, therefore, believe that cooperative societies offer opportunities and scope at various levels for the people to participate in the implementation of developmental programmes. The Committee, therefore, recommend that cooperative organisations are the best instrument for securing public cooperation at all levels in the implementation of development programmes.

The Committee are of the view that one of the ways of strengthening cooperative societies is to improve the efficiency of cooperative workers by giving them adequate training and by providing a machinery which would help them in their day-to-day activities.

With this end in view, the Committee recommend (i) that Cooperative workers should be given adequate training; (ii) as far as possible, such training programmes should be carried out through voluntary organisations of cooperators; and (iii) Government should suitably help voluntary organisations of cooperators formed to provide guidance and supervision to workers in the proper discharge of the responsibilities undertaken by them in respect of the cooperative institution to which they belong.

The Committee recognise the need for bringing about an expansion of the field covered by the co-operative movement and recommend that pioneering agencies in the field of cooperation may be initially assisted to undertake pilot projects in such fields as education, transport, welfare, medical relief, etc.

The Committee are convinced that for facilitating the expansion of the cooperative movement in the

country, there is need for making cooperative laws and rules less restrictive and more enabling. The Committee, therefore, recommend that all the existing laws on cooperation be simplified and the procedures rendered less rigid. The Committee desire that government should look into this question.

Part III—Panchayats

The Committee consider that Panchayats should be the prime instruments of action for and on behalf of the community in the villages. The Committee took note of the latest decisions taken by the authorities for bringing out an expansion of and wider coverage by the Panchayats. The Committee also note the various new responsibilities proposed to be entrusted to the Panchayats in the circulars issued by the Planning Commission to the State Governments.

The Committee consider that if Panchayats are to be endowed with new functions and powers, they must be enabled to raise enough resources. Ordinarily, in respect of all schemes worked within the areas of the Panchayats, the Panchayat should be the main implementing agency.

The Committee feel that efficiency and success of the working of Panchayats would mainly depend upon the trust and confidence they evoke from among the people. Panchayats must inspire confidence and people must learn to respect them. This can happen only if, in their functioning, Panchayats rise above personal, party and communal considerations.

The Committee note that it is proposed to invest Panchayats with some judicial functions. This is a step in the right direction, because there is everything to be said in favour of minor village disputes being settled in the village itself. The Committee, however, emphasise that the question as to how Panchayats could effectively discharge this function should be examined in greater detail. The Committee recommend that the National Advisory Committee should initiate steps in this regard.

The Committee underline the need for simplifying the procedure and rules relating to the functioning of the Panchayats.

The Committee are of the view that in any village which has a Panchayat and cooperative, their working

should be complementary and the area to be covered by them should also be co-terminus.

The Committee recognise that the functional efficiency of the Panchayats will be greatly enhanced if the Panchayat members are trained adequately in the discharge of their responsibility. The Committee, therefore, recommend that suitable training programmes may be framed for this purpose, which can be implemented in cooperation with established voluntary organisations and the development agencies.

The Committee think it necessary to place on record its view that similar arrangement of functions, responsibilities and resources, as are recommended in the case of the Panchayats should also be applicable in favour of Municipalities and other local self-governing institutions. The Committee are convinced that these bodies are really social welfare agencies which ought to be enabled to undertake greater responsibilities in the areas under their charge. The Committee, therefore, suggest that Planning Commission may examine the role that these bodies have to play, so as to suggest measures for strengthening and improving their activities.

The Committee would like to recommend that voluntary workers, including those in the cooperative field, should be given representation in the development boards, autonomous corporations and such other bodies as are constituted by the Government for the purpose of furthering developmental policies and programmes. The Committee note that there is already a constitutional provision enabling nomination of workers in the co-operative and social welfare field to the Upper Houses in the States and at the Centre.

The Committee are of the view that the service rendered to the nation by voluntary workers is in no way insignificant. It, therefore, feels that steps should be taken to provide voluntary workers facilities which are extended to public servants generally.

RURAL BIAS IN PLANNING

SHRI V. L. MEHTA

THERE is one observation in the Chairman's note about the progress of work in the Planning Sub-Committee the significance of which I am unable to appreciate. This observation is contained in the section on "Other Financial Resources" under item (g) page 9.

If the contribution of rural areas to the national income is in the neighbourhood of 50 per cent, it should be noted that the people living in these areas constitute 82 per cent of our population. With one-half of the contribution to the national pool that these four-fifths of our population make, I do not quite see how it is assumed that more should be obtained out of them for financing programmes of national development.

Another point that has to be noted in this connection is that the contribution to the pool is made by a number of individuals whose unit of operation is by and large small and hence whose taxable capacity is limited. This applies both to those engaged in agriculture and industries allied to agriculture. To call upon persons who are referred to as not being in a position to have even one square meal a day to contribute by way of further taxation or of savings, represents, I would suggest, an approach to the problem of resources that ignores the basic facts of our rural economy.

The next question that arises is what portion of the Plan is intended directly to benefit rural areas. According to the Second Five-Year Plan, out of an aggregate outlay of Rs. 4,800 crores, the items that go directly to benefit rural areas can be picked out as two: agriculture, with an allocation of 341 crores, and village and small-scale industries with an allocation of 200 crores, giving a total of 541 crores, of which, again, the expenditure on small-scale industries might not directly benefit rural areas. To this may be added the sum of Rs. 227 crores intended for National Extension and Community Development,

quite a considerable portion of which, however, represents the cost of establishment, recruited in urban areas. Irrigation and flood control have an allocation of Rs. 486 crores. On all these items, the aggregate outlay, subject to the observations made earlier, would be Rs. 1,254 crores, that is, roughly a fourth of the expenditure in the public sector. A moiety would accrue to rural areas out of the provision for transport and communications, and probably, a larger proportion of the allotment for social services. Even then it cannot be argued that rural areas stand to benefit to a larger degree than their contribution to the national income merits, apart altogether from the fact that their need for development expenditure, social services and amenities is, admittedly, much larger.

There are few other aspects which need to be emphasised when urging that the Plan should be village-orientated. One of the objectives of the Plan is to raise the level of income to bring about a rise in the standard of living. Incomes in rural areas are distinctly lower than in urban areas, the proportion between the average incomes being 3:7 approximately. The agricultural labourer gets one-tenth of what the labourer in industries obtains. Rural economy being what it is today, the scope for securing an increase in rural incomes by organized pressure or through collective bargaining is also limited, except for labour on tea, coffee or other plantations. Hence the approach to planning for the rural areas should be by creating conditions in which more will accrue to and remain in rural areas, so that there will be more to go round.

The main factors responsible for the low level of per capita incomes in rural areas are the growing pressure of population on land and the decline or decay of rural occupations and industries. The degree of unemployment prevalent in rural areas is not to be judged solely from the results of the Agricultural Labour Inquiry Committee whose investigations did not cover rural artisans or agricultural families cultivating their own lands as tenants or proprietors. The large volume of earning and non-earning dependants in rural areas conveys an idea of the disguised rural unemployment, both on the land and industry. Besides, we now have the results of the inquiry entitled "Economic Activity and

Gainful Employment" conducted sometime back as part of the National Sample Survey :

	Percentage of gainfully employed persons (Progressive Totals)	
	<i>Rural</i>	<i>Urban</i>
With under 7 hours per week ..	13.6	9.2
With under 14 hours per week ..	17.6	12.1
With under 28 hours per week ..	29.0	21.5
With under 5 days per month ..	20.2	7.2
With under 10 days per month ..	26.7	9.6
With under 15 days per month ..	36.1	14.6

It will thus be seen that the incidence of under-employment is much larger in rural areas than in urban areas. This emphasises first the need for immediately devoting greater attention to problems of economic development in rural areas than in urban areas. If there are surplus resources available in rural areas, they should be tapped by an intensified programme of rural co-operative development, agricultural and industrial, for investment directly in these self-same rural areas. Since, however, in the bulk, the population in rural areas has a low standard of living, with the level of consumer expenditure being barely half-a-rupee per day for 50 per cent of the population, the scope for securing substantial resources by means of additional taxation or through national savings schemes-is strictly limited.

Section—V

LAND AND FOOD: PROBLEMS OF IMPLEMENTATION OF CONGRESS PARTY POLICY

SHRI C. SUBRAMANIAM

WE are committed to "Abolishing Landlordism." We have gone half-way through that process; abolished the Zamindaris; and given interim protection to cultivating tenants against non-cultivating owners by reducing rents and preventing eviction. We have now got to go forward and complete the process. There are two things to do. One is to transfer ownership from non-cultivating owners to cultivating tenants. The other is to fix a "ceiling" for cultivating ownership, locate the "ceiling-surplus" lands and transfer ownership of such lands from their present owners to agriculturists without land or with uneconomic holdings. Contrary to general impression, the former is much more important than the latter.

At this stage we seem to be hesitating. There seems to be divided opinion within the party and opposition outside is becoming more vocal and pronounced. The reason is, perhaps we are not sure that the two tasks still to be done are the right things to do. We are told, and it seems likely that, far from increasing food production, the reforms in view might diminish it. This is likely because we shall be increasing the number of uneconomic holdings owned by poor people who have no capital and can take no risks. Again, we are not easy in our mind about the prospects of depriving large numbers of people of their property without paying them fair and just compensation. It goes against our grain; and yet it seems impossible to carry the reform through without doing it. We are in doubt whether the reform will yield sufficient beneficial results to justify the infliction of unmerited hardship on unoffending people.

Agricultural Co-operative Organisation: The Nagpur decisions have committed us to "Co-operative Farming." We have taken up this position mainly in order to reconcile our agricultural land reform

policy with the indubitable need, in the national interest, to raise the level of farming efficiency and to develop food production. Our experience with the National Extension Service Scheme has also reinforced this point of view. We recognise that the scope for development of food production, purely by means of projects undertaken by State agencies, is now contracting rapidly. Further development depends on the stimulation among the village people of a sense of collective responsibility for farming efficiency; that is to say, for better use of land and water; better mobilisation of local manurial resources; more widespread and better-sustained adoption of scientific methods of cultivation. All these things cannot come about through the multiplication of bureaucracy. It can come about if, and only if, agricultural co-operative organisation is developed and functions with innate vitality.

Though the need is thus quite clear, we find it almost impossible to make a start. For one thing, the co-operative societies which are functioning at present in villages are largely lacking in vitality. They are paper associates of borrowers who have to be members of co-operative societies, in order to borrow money at low rates of interest. They are not resource-mobilising organisations. The Nagpur Resolutions have resulted mainly in the precipitation of differences of opinion within the party and growth of opposition. Apart from relatively harmless differences of opinion about the size of units and nature and extent of State control, a major controversy has arisen over "joint-farming co-operatives." It has been demonstrated that the vast majority of our people are unable to see any difference between these "joint-farming co-operatives" and the collective farms of Soviet Russia. They do not believe that "Collective Farms" can work without the compulsions of a totalitarian State. In the endeavour to clear doubts and prevent misrepresentation, we are emphasizing the purely voluntary nature of the agricultural co-operative organisation. We are shifting the emphasis from "Joint-Farming Co-operatives" to "Service Co-operatives." But the doubts and apprehensions are still there. The real problem is to get "Service Co-operatives" started on a voluntary basis sufficiently rapidly to provide complete coverage of all villages in the next few years and to function with

sufficient innate vitality. This problem remains unsolved.

State Trading in foodgrains: Four years ago, when the First Five-Year Plan was nearing the end, we were exultant. We thought we had achieved the miracle and solved the food problem for all time. We had taken a calculated risk and abolished all controls—procurement, rationing, price-control and other restrictions which had plagued the country for over a decade. And the result (after a brief term of anxiety) was entirely satisfactory. Every one had enough to eat. There was plenty of supply in the market. In fact, there seemed to be too much. Prices trumbled down. We began to think seriously about price-support. Some among us (who were even more optimistic) began to talk of exporting foodgrains and thereby earning foreign exchange for the Second Five-Year Plan. We know now that we were reckoning without the host—the population problem. Our achievements in raising food production were great; but they were largely cancelled out by the rapidity with which our numbers were, and are, growing. We know now that the food problem will be with us for quite some time to come. This conviction has come home to us during the last three years, when we have been watching the price of food grains moving up. The usual trend (by which the price goes up before the main harvest and comes down immediately after) is no longer observable. The maximum level reached before the main harvest of each year remains steady after the harvest, and then becomes the minimum price for the next crop year. From year to year, the price level moves up. This steady rise in the price of foodgrains is inevitably accompanied (as it must necessarily be) by a rise in the price of all other foodstuffs and other essential commodities. And then the dearness allowance of factory employees goes up and therewith, the price of manufactured goods. Public employees begin to agitate and are given increased emoluments (which, however, fail to catch up with increased cost of living). The estimates of the Five-Year Plan are thrown out. All the State budgets get unbalanced. Taxation increases. Family budgets get upset. No wonder discontent grows in spite of the manifest popularity and success of the National Five-Year Plan. Inflation (and the discon-

tent which accompanies it) can be avoided, if we can import all the foodgrains which the people demand. But this easy way out is not open to us. So far as rice is concerned, the extra supply is simply not available. In respect of wheat and millets, we do not have the foreign exchange with which to buy from abroad and flood the markets here. We can barely afford the minimum of imports necessary for avoiding a breakdown of supply. This state of affairs must be expected to continue. We must find a way by which imports of foodgrains can be limited to quantities which are available at prices which we can afford to pay; and by which at the same time we can set an upper limit to the price of foodgrains and make sure that it is not exceeded.

This is not an abstract problem; it is a compelling necessity. This is why, the National Development Council decided on State Trading in Foodgrains. If State Trading in Foodgrains is organised for this reason, it was felt that it could be made use of to secure two other purposes also.

First, it would be possible to divert the excessive profits which at present enrich speculators and hoarders into the coffers of the State and thereby make a significant contribution to the mobilisation of resources from the rural sector for purposes of planned development—another problem for which a satisfactory solution is being sought.

Secondly, an organisation which is capable of insuring the consumers of foodgrains against rise of prices *above* a predetermined maximum will be also capable (acting in reverse) of insuring the producers of foodgrains against a fall of prices *below* a predetermined minimum. It is true that the need for the latter type of insurance is not, at the moment, as pressing as for the former. But it can be foreseen that the need would arise as soon as the rate of growth of food production outstrips the rate of growth of population. And this is the state of affairs we are seeking to bring about as soon as possible. Guaranteed Minimum prices are, therefore, as necessary as Enforced Maximum prices in any system of planned development of the national economy.

So far there is no dispute or difference of opinion. But the trouble begins at the point of organisation of

State Trading in Foodgrains. The ideas of the Central Government and the ideas of State Governments differ, and the State Governments differ among themselves. Experience gained during the first year of implementation of the policy (in the Southern Zone) shows that it is impossible for any system of State Trading to be organised on the basis purely of open-market-purchases in the free market. It is not only necessary that controls should be exercised over the operations of traders; it is unavoidably necessary also to exercise control over the process of marketing by producers. As soon as this stage is reached, it is natural that there should be doubts and hesitation. Is it possible to bring the marketing of foodgrains under control, without going all the way down the road of procurement and rationing and other controls which proved to be so vexatious and unpopular in the past? At the moment, there is no satisfactory answer to this question. In the result, the implementation of declared policy is not moving forward, while prices are still going up.

II. Suggested approach to the solution of the problems

Recognition of inter-connected character of the problems : It is necessary to note and emphasise the fact that the foregoing problems are inter-connected. All of them have a common origin in the present political and economic situation of the country. As the problems are inter-connected, so also the solutions must be. We find it very difficult to solve each problem in isolation; because in that process, we tend to assume that the position will remain unchanged in other respects. If we proceed on the basis of seeking a simultaneous solution of all the problems, we shall find the solution of one problem facilitating the solution of others.

Recognition of the uniqueness of our problems : It is a mistake to suppose that, since we are seeking to achieve planned development of our national economy, we should travel the same road as Soviet Russia which was the pioneer in making that road as well as travelling on it. Not only is the economic position (the land-man ratio) very different as between India and Soviet Russia, the political situation which dictates the choice of measures to be adopted is also very different. We must, therefore, lay our own road and should not shirk the responsibility involved

in working out our own system with reference to our own needs.

The key role of stabilisation of food prices: While all the tasks before us are important, we must recognise that some are more important and more urgent than others. In the present situation, the most important problem which needs the most urgent solution is the stabilisation of food prices. If we fail in this, our failure will be complete. It cannot be compensated by success (even if attainable) in solving other problems. On the other hand, it can be shown that if we devise the measures and set up the organisation which are necessary for ensuring the success of State Trading in Foodgrains, and thereby ensure the stability of foodgrain prices, we shall find that the same measures and the same organisation will also help us to remove the difficulties which (at present) prevent the solution of other problems. *It is the principal purpose of this paper to outline a Combined Solution for our inter-connected problems.*

III. State Trading in Foodgrains

To begin with, it must not be supposed that State Trading in Foodgrains entails the disappearance of the private sector of the grain trade. So far as retail trade is concerned, it can and should remain in the private sector indefinitely, though it will have to be licensed and controlled. In respect of wholesale trade (within each State) it is necessary to organise State Trading to the extent required for ensuring that the private sector will function under effective control. In respect, however, of Inter-State Trade (as also of foreign trade) it is necessary that private sector should be altogether excluded.

Two problems arise out of these requirements. The simpler of the two problems is the position of the deficit State. The answer is simple. The Central Government must be exclusively responsible for procuring in surplus States and supplying to deficit States.

The other (and more difficult) problem is over marketing by producers. No State Trading organisation can function unless it has statutory power to acquire physical control over a defined proportion of the foodgrains placed on the market every year. Can this be done without alienating producers to an extent which must be ruled out as

politically impossible? The answer is in the affirmative. In order to appreciate this answer, it is necessary to go into figures which are very important but not generally known. The following figures of Madras State explain the position:—

According to an All-India Census made five years ago, there were 41 lakhs of families which owned agricultural land in Madras State (as at present reorganised, but excluding ex-Kerala areas). They held 75 lakhs of Standard wet acres. Out of this number, over 36 lakhs of families owned only small holdings (these being defined as holdings with area not exceeding $3\frac{1}{2}$ Standard wet acres). The total area of agricultural land owned by them was only 35 lakhs of Standard wet acres. In any scheme of statutory control over marketing of foodgrains, we may safely exclude these 35 lakhs of Standard wet acres, and in that process, exempt no less than six out of every seven owners of agricultural land from the scope of control. Even in respect of the remaining one-seventh of the owners, it will be possible to exempt nearly one-half of the land (that is 20 lakhs of Standard wet acres) and limit statutory control of marketing to about one-third of the gross produce of the remaining 20 lakhs of Standard wet acres. Even if thus drastically limited, it will be possible to acquire physical control over about 3 lakhs of tons of foodgrains every year. Even if it should become necessary to fix a target of as much as 5 lakh tons for State trading, a Statutory Marketing Levy capable of yielding that total can be devised without touching the owners of small holdings. This would be fifty per cent in excess of the target which has been set for the current year and found to be impossible of attainment so far. If a State Trading Organisation is set up and it is given the statutory right of purchasing 3 lakhs tons out of the harvest of each year (at a predetermined price not falling short of the guaranteed minimum price) and to dispose of the same through Fair Price Shops during the lean months before the next harvest (at a predetermined price not exceeding the guaranteed maximum price) there can be no doubt that the private sector will be brought under effective control. No one will buy in the expectation of gaining super-profits during the lean months. Speculators, hoarders and profiteers can be killed, without any vexatious inter-

ference whether in the form of price-control or movement control or any other interference with the free market of the private sector within each State. A regime of fair and stable foodgrain prices can be established. The profits which are at present enjoyed by speculators, hoarders and profiteers can be diverted to the coffers of the State and can be ploughed back again into the villages in the form of loans and grants for the development of food production and other planned investment on schemes of rural development.

The conclusion is that the problem which at present prevents the implementation of declared policy relating to State Trading in Foodgrains can be solved and the most important among the prerequisites of solution of these problems may be described as the permanent establishment of a "*Statutory Marketing Levy*".

IV. Agricultural Co-operative Organisation

Recognition of peasant proprietorship as the basic pattern: The first essential step in the development of agricultural co-operative organisation is to recognise that the country is allergic to the idea of "Joint-Farming Co-operatives", and that it is a sound and healthy national instinct which has given rise to this allergy. We must accept the fact that "*peasant proprietorship*" must remain the tenure on which land is owned. What we are aiming at (after abolition of landlordism) is the transformation of individualistic peasant proprietorship into Co-operative Peasant Proprietorship, as the basic pattern of India's agricultural economy.

The problem and the solution: Once the ground is cleared, the problem to be solved is limited (as already stated) to the question of getting "Service Co-operatives" started on a voluntary basis sufficiently rapidly to provide complete coverage of all villages in the next few years and to function with sufficient innate vitality. The solution, it is suggested, should be sought in two main principles. *First:* The beneficiaries of land reforms should acquire the status of peasant proprietors subject to the condition of automatic membership of Service Co-operatives, as one of the incidents of the new land tenure. *Secondly,* in respect of lands already held by peasant

proprietors, the principle of "State Aid for Co-operators only" should be applied thus :

(i) Long-term loans, Medium-term loans, Short-term loans, as well as subsidies for various categories of food production schemes are at present made available by the State Government to individual owners of land. In future, it can be stipulated that they should be made available only through "Service Co-operatives" to the members.

(ii) When a State Trading Organisation gets going (as proposed earlier) on the basis of a "Statutory Marketing Levy", the net profits of State Trading can be ploughed back as loans and grants for food production and rural development. They can be channelled exclusively through Service Co-operatives to their members. In this process, a stable relationship of mutual assistance can be established between the State Trading Organisation and the Service Co-operatives. Marketing facilities can be greatly improved (including provision of warehouses, credit etc.). The benefit of these facilities can be reserved for "Service Co-operatives" and their members.

(iii) Fertilizers, seeds, implements and other production facilities are, at present, made available by departmental agencies, direct to producers. They can be channelled exclusively through "Service Co-operatives" to their members.

(iv) The principle of "State Aid for Co-operators only" can be further extended. This will not only help to provide very strong incentives for healthy growth of "Service Co-operatives" on a genuinely voluntary basis ; it will also improve the efficiency of distribution of loans, grants, supplies and other facilities, and remove the weakness of the present system. The utility of the service at present provided by the technical personnel employed under the National Extension Service Scheme will be enormously increased.

V. Agricultural Land Reform

Agricultural Land Reform, carried out in the wrong way, will not only cause injustice and unmerited hardship, it will diminish food production ; it will aggravate the present disorders in the marketing of foodgrains ; it will add greatly to the difficulties of mobilising resources necessary for planned development. If the right way can be found, results of an

exactly opposite nature can be secured. Hence, the crucial importance of choosing the right way and avoiding the wrong way.

The first essential condition to be fulfilled is the acceptance without reservation of the principle of payment of fair and just compensation for owners of land who are deprived of property rights in pursuance of high national policy. The question is: Can this be done? It cannot be done if fair and just compensation is deemed to consist (as it often is) in the payment of currency equal in value to the sale value of land realisable in the open market. Currency cannot be pumped into the economy on that scale without causing uncontrollable inflation. But this can be avoided if payment is made in Bonds on which interest would be payable every year. The Bonds may be made redeemable after a specified period. It should be transferable subject to specified conditions but need not be freely negotiable.

The conviction that the State is dealing fairly with the people affected by Land Reform, that fair and just compensation is guaranteed by law, would suffice to remove nine-tenths of the difficulties which at present stand in the way. Abolition of Landlordism can be secured through State Acquisition on payment of fair and just compensation in the form of (what may be called) Land Reform Bonds for lands of the following description:—

- (i) All lands which are owned by non-cultivating-owners and are cultivated by non-owning cultivators (this being subject to suitable exemptions in favour of owners of small holdings), and
- (ii) "Ceiling-surplus" lands owned by cultivating owners of lands in excess of the limit fixed as "Ceiling".

Other important questions to be settled will be:

- (i) Where "Ceiling-surplus" land is acquired and is not already cultivated by a tenant with fixity of tenure, to whom is the land to be allotted?
- (ii) What are the terms on which the allottees of land (whether or not they are already tenants in possession) should acquire ownership of the lands.

So far as the first question is concerned, the main problem is that there will not be much land and there will be a great many claimants and it is desirable (if possible) that Government should not be involved in the distribution. The following suggestions are made:—

- (i) The law should specify the nature of eligibility (*viz.* Landless agriculturists and agriculturists with holdings of less than a specified limit).
- (ii) The owner of "Ceiling-surplus" land must be given time to admit an eligible agriculturist as tenant of such land. Thereafter the treatment of such lands should be the same as for any other tenant-held land.
- (iii) In the improbable event of the owner failing to admit an eligible tenant, the choice may be left to an *ad hoc* local committee set up for this purpose under the Law.

There remains the important question of the terms on which ownership is to be conveyed. Given the position that "Co-operative Peasant Proprietorship" must be the basic pattern, the terms of transfer can only be settled on the basis of "Hire-Purchase". The number and amount of "Hire-Purchase instalments" and other terms regarding the "Hire-Purchase agreement" between the State and the allottee can be worked out easily enough. The real problem will be the setting up of the machinery which will be adequate for the task of collecting "Hire-Purchase instalments" efficiently and discharging the obligations of the State to the holders of Land Reform Bonds.

This problem can be solved if, and only if, a vital connection is established between "Agricultural Land Reform", "State Trading in Foodgrains" and the "Agricultural Co-operative Organisation". It has been noted already that it is a condition precedent to successful organisation of State Trading in Foodgrains that there should be a "Statutory Marketing Levy". The law should provide for the permanent localisation of the lands which are to be subject to "Statutory Marketing Levy". In this law, provision should be made to the effect that the lands which are redistributed under the Land Reform Scheme and on which "Hire-Purchase instalments" are due

to the State must necessarily be subject to the "Statutory Marketing Levy".

In that case, the collection of "Hire-Purchase instalment" will be effectively secured, because (i) the "Service Co-operatives" in the village will underwrite the discharge of the obligation in respect of the Statutory Marketing Levy as a whole and (ii) the State Trading Organisation which receives "Statutory Marketing Levy" and pays for it, will be in a position to withhold the "Hire-Purchase instalments" from out of the price payable to the allottee.

To sum up, the problems which at present delay the implementation of accepted policy regarding agricultural land reforms can be solved on the basis :

- Firstly*, of the issue of Land Reform Bonds in payment of fair and just compensation for dispossessed owners ;
- Secondly*, of the collection of Hire-Purchase instalments for the allottees of such lands in order to discharge the obligations contracted by the State to holders of Land Reform Bonds; and
- Thirdly*, the incorporation of the foregoing system of collection of Hire-Purchase instalments, as part of the administration of the "Statutory Marketing Levy, (which has already been seen to be an essential feature of the proposed new system of State Trading in Foodgrains).

VI Mobilisation of Rural Resources for Planned Rural Development

If a combined programme of "Agricultural Land Reform", "Agricultural Co-operative Organisation" and "State Trading in Foodgrains" is framed and implemented on the lines recommended in this paper, then a secure basis will have been laid for mobilisation of rural resources for planned rural development. These resources may be grouped under these broad heads :—

- Firstly* : The Hire-Purchase Instalments payable by the newly created Co-operative Peasant Proprietors will exceed the interest payable on Land Reform Bonds ; and the margin will be available for the entire period of the *currency* of these Bonds.

Secondly: The Statutory Marketing Levy can be operated on the basis of Planned Profit, whereby the excess profits at present derived by speculators, hoarders and profiteers will be extracted by the State Trading Organisation and made available for Planned Rural Development.

Thirdly: Once Agricultural Co-operative Organisation begins to function with innate vitality, it will be able to attract rural savings by way of deposits.

MOBILISATION OF RESOURCES THROUGH COMPULSORY SAVING

SHRI K.P. TRIPATHI

SHRI C.D. Deshmukh in his suggestions to counteract the psychological barriers in raising resources from Agricultural sector has said that it would be easier to convey the concept of tax to rural masses. I think, it is a correct approach. As large resources will have to be raised from the rural sector, the best way to make the idea acceptable to them is to advance the concept of saving for investment from which they may get return in future rather than the concept of taxation which takes away what they have without promise of return.

The urgency with which the resource problem has faced us cannot be met through dilatory process of voluntary savings. It is absolutely essential that some sort of compulsory saving may be introduced in all sectors of the society, including the rural sector so that necessary resources may be available. Some people question this compulsion being introduced in the matter of saving as being undemocratic. The logic is difficult to understand in a society which depends on taxes, which are after all compulsory. The difference between taxes raised through compulsion and savings raised through compulsion lies only in this :

In the first, money is taken away without the possibility of return to the particular individual, whereas in the case of compulsory saving, the same, or the benefit from investment of the same, or both are expected to be returned to the particular individual. It will be clear that compulsory saving would any day be more acceptable to the people than compulsory taxes.

Compulsory saving should be for investment and not for current expenditure so that profits may return to the individual. Compulsory savings should not be utilised for mere amenities, which the individual may or may not be able to enjoy.

Some form of compulsory saving must be applied to every earning member of the society so that requisite resources might be created for investment purposes.

So far as the agricultural sector is concerned, the method should be partly surcharge on land revenue and partly insurance premium paid on the basis of land holding. So far as salaried and wage earning classes are concerned, it would be on the basis of provident fund contribution. So far as the self-earning classes are concerned, it should be on the basis of insurance calculated in terms of the income-tax return where the income tax figures are available and on the basis of holding where the individual is a small earner.

In this method, the agricultural labourers having no land and not paid in terms of wages, will get excluded. Then, it will be necessary to exclude a certain class having inadequate land, say up to 2.5 acres as in Assam. In other places, where more than one crop is raised due to irrigation facilities, the excluded area may be a little less. So far as salaried and wage earning classes are concerned, they need no exclusion, because, in provident fund, they get the benefit of like contribution from the employer. At present, the contributions vary from $6\frac{1}{2}\%$ to over 12%. It will be necessary to raise the contribution of provident fund to $8\frac{1}{2}\%$ as the minimum.

The procedure and calculation involved in raising this fund should be so simple as to be understood by everybody and should be such that room for corruption may not exist. For this purpose, the contribution from agriculturists may be raised along with the land revenue. So far as the contribution from salaried and wage earning classes are concerned, they can be raised from employees by deducting at source. So far as contributions from self-earning classes are concerned, they may be raised along with the income-tax, when such tax is paid. The self-earning classes may pay along with the land revenue when they are not liable to pay income-tax. In this process, the cost of operation would be reduced to the minimum, an aspect which cannot be forgotten when we are thinking of resources.

So far as distribution is concerned, it should be made known from before to the payers and should

be so attractive that they may be enthusiastic about it. To my mind, the distribution should be three-fold as follows :

Firstly, Development Fund : It should be earmarked for developmental purposes through local self-governing institutions like village panchayats, town committees and municipal authorities for broadly known purposes like schools, dispensaries, roads, drinking water or making schooling and dispensary free or partly free. At present, the greatest expenditure borne by villagers and middle classes is on account of schooling of children and cost of treatment. Any step in reducing costs in these directions out of compulsorily raised funds will be appreciated greatly, because to the extent of the benefit, the expenditure of the family would be reduced.

Secondly, Capital for co-operatives : Creation of capital for industrial or agricultural purposes to be utilised by village co-operatives or industrial co-operatives. After all we are intending to have co-operatives for which vast capital would be necessary. If capital for co-operatives is raised, then it would tend to promote our goal of socialist co-operative society by leading the agriculturists, the wage earners and the small men to become owners of industrial and agricultural operations in the country. Hence, appreciation and co-operation of the people can be expected to be forthcoming for this. This has the possibility of developing extensive capital for co-operative purposes over a number of years.

Thirdly, Social security by way of insurance : In a socialist society, it would obviously be necessary to go on increasing the social securities and the sooner we take steps in that direction, the better. This sort of insurance on a mass scale will help to advance one of the important aspects of the socialist society.

Finally, to make the idea of contribution acceptable to the masses, it would be necessary to arrange for expenditure of funds raised through these sources mostly in the areas from where they are raised so that the people may have the satisfaction of seeing visibly the effect of their contribution in their own areas.

Possible Mobilisation of Resources

Agricultural Sector : Out of 309 million acres of agricultural land if we exclude holdings below 2.5

acres, *i.e.*, about 19 million, it would leave about 209 million acres. If we have a minimum life insurance policy for 30 years of Rs. 500, the annual contribution per acre may come to about Rs. 4. If we add Re. 1 for the purpose of creating capital for co-operative enterprise in the village, we may have to raise Rs. 5 per acre as investment capital for these two purposes. It would come to Rs. 725 crores, *i.e.*, Rs. 580 crores for insurance and Rs. 145 crores for co-operatives. As regards the developmental capital for schools, dispensaries etc., to be spent through the village panchayats or self-governing agencies, it should have to be in the form of land revenue surcharge.

The following is suggested :

- Re. 1 per acre for 2.5 acres to 5 acres.
- Rs. 1.25 for 5 to 10 acres.
- Rs. 1.50 for 10 to 15 acres.
- Rs. 1.75 for 15 to 25 acres.
- Rs. 2 for 25 acres onwards.

In this process, the amount raised would be Rs. 47 crores in a year and Rs. 235 crores in 5 years. Thus from the agricultural sector, the total amount raised for insurance, co-operatives and development comes to Rs. 950 crores in 5 years.

Compulsory Provident Fund

In 1957, the factory and mine workers earned Rs. 278 crores and the salaried workers therein earned Rs. 51 crores. At the rate of 12 naye paise, the amount comes to Rs. 37.4 crores. Taking contribution at the same rate from workers and employers for 5 years, it comes to Rs. 303 crores. If the contribution on account of salaried workers is taken into account, it comes to Rs. 32.5 crores. The total comes to Rs. 335 crores. If the contribution is raised to $8\frac{1}{2}\%$, the total comes to Rs. 347 crores in 5 years.

This amount also may be allocated for the three-fold purpose of creating amenities for workers like housing, etc., industrial capital for industrial co-operatives, and social security like life insurance. For each of the purposes, the amount available will be of the order of about Rs. 110 crores in 5 years.

These figures were for 1957.

In 1958 the available funds will be larger and in the Third Plan they will be still larger.

Employees working in Trade, Commerce and Transport

The figure for this category, which is one of the largest in the country, might similarly be worked out.

Self-Employed Sector: There is also an important category, lower strata of this is difficult to locate. But the upper strata with an income of over Rs. 3,500 per year is located in terms of the Income Tax. To simplify the process of realisation, it would be necessary to collect contribution from this category through income-tax authorities, so far as income-tax payers are concerned. So far as others are concerned, they may be tapped on the basis of holding either through the land revenue department or through the Municipalities and town committees, where they may be living in rented quarters. The assessment of the possible rates is a little difficult, but may be worked out. The income tax authorities may raise it as surcharge and so may the land revenue authorities. The funds should accordingly be allocated for the three-fold purpose indicated earlier.

Provident Fund from Govt. employees—This may easily be raised at $8\frac{1}{3}\%$.

From the above, the resources available will be as follows: (figures are only illustrative).

Agricultural Sector ..	Rs. 960 crores
Provident Fund from Govt. employees at $8\frac{1}{3}\%$..	Rs. 150 crores
Provident Fund from Industrial workers ..	Rs. 347 crores
Trade, Commerce and Transport Employees ..	Rs. 300 crores
Self-employed people ..	Rs. 250 crores
Total ..	Rs. 2,000 crores

Out of this, if 25% is earmarked in a sinking fund for meeting liabilities arising out of insurance and other charges, Rs. 1,500 crores would be available in the Third Plan for investment in developmental activities in rural and urban sectors for co-operative capital for industrial and agricultural purposes and for covering social securities like life insurance.

The figures used for salaried and wage-earning classes are of 1957. In the Third Plan they will be considerably larger and the return for our purposes will also be larger.

RESOURCES FOR THE PUBLIC SECTOR FROM THE SCHEDULED BANKS

SHRI S.N. MISHRA

THERE must be a conscious plan for the banking sector which should take into account the increased requirements both in the public sector and the private sector.

So far as the private sector is concerned, there are powers with the Reserve Bank to regulate the flow of advances to it in conformity with the Plan objectives.

In respect of public sector, one of the principal objectives should be to get larger investments in Government securities out of the increased deposits in the scheduled banks. The bank deposits have been steadily rising as a result of increased economic activity. As the ratio of public sector investment to total investment has been increasing from Plan to Plan, it is only proper that the public sector should have a claim on the increased resources of the banks.

In the paragraphs that follow I have set out a proposal which, if implemented, would mean an automatic increase in scheduled banks' investment in Government securities with increase in deposits.

The table below gives the figures of total deposits of scheduled banks and of investment of scheduled banks in Government securities for the years 1950-51 to 1958-59. The ratio of the latter to the former is also indicated:

<i>Year</i>		<i>Total deposits of scheduled banks</i>	<i>Investment of scheduled banks in Government Securities</i>	<i>(3) as a percentage of (2)</i>
1		2	3	4
1950-51	..	908	316	35
1951-52	..	851	296	35
1952-53	..	846	303	36
1953-54	..	856	319	37
1954-55	..	951	344	36
1955-56	..	1050	360	34
1956-57	..	1181	347	30
1957-58	..	1480	440	30
1958-59	..	1667	613	38

Over the period of the First Plan, total deposits of scheduled banks increased from Rs. 908 crores in 1950-51 to about Rs. 1050 crores in 1955-56—an increase of Rs. 142 crores over the five years. Expressed in terms of percentage, the increase would work out at 15.6 per cent. 1950-51 was, however, an exceptional year inasmuch as inflationary trends were in full swing in this year. If, therefore, 1951-52 is taken as the base, the increase over the period of the First Plan would be about Rs. 200 crores or about 24 per cent. During this period national income increased by 17 per cent and money supply by 21 per cent.*

It will be seen that over the period of the Second Plan the rate of increase in deposits of scheduled banks has been rather high. In 1955-56, total deposits amounted to Rs. 1050 crores—an increase of 59 per cent. It might, however, be pointed out that part of the rise in deposits is accounted for by temporary deposit of PL 480 funds (Rs. 180 crores) with the State Bank. If allowance is made for this, the increase in bank deposits over the first 3 years would be about 42 per cent. It is difficult to forecast the level of deposits that will be reached by the end of the Second Plan. As a rough guess one might assume that by the end of the Second Plan, deposits of scheduled banks would have gone up to a figure of around Rs. 1700 crores *i.e.* more or less the level that has already been achieved so far after counting PL 480 funds.

No final decision has yet been reached regarding the target of increase in national output for the period of the Third Plan. Various figures are mentioned. For the purpose of this it might be assumed that the increase in national income over the period of the Third Plan would be about 33 per cent or 6 per cent per year. It is difficult to draw any direct relationship between the increase in national income and increase in bank deposits. As a starting point, one might assume that by the end of the Third Plan period bank deposits would have gone up by another Rs. 800 crores *i.e.* by the end of the Third Plan the level of bank deposits would be about Rs. 2500 crores or so.

From the table given earlier, it will be seen that investment of banks in Government securi-

* The base is taken as 1951-52.

ties has been varying from 30 to 38 per cent of their deposit liabilities. In India there is no statutory obligation on the banks to invest a minimum percentage of their resources into Government securities. As a matter of fact, the ratio of investment to deposits differs considerably from slack to busy season. Supposing it were decided that the investment of scheduled banks in Government securities during the course of a financial year should be on an average not below 42 per cent of their deposit liabilities, investment of scheduled banks in Government securities at the end of 1965-66 *i.e.* the last year of the Third Plan would be round Rs. 1050 crores $(2500 \times 42)100$. The corresponding figure as at the end of the Second Plan on the assumption of the existing relationship between deposit liabilities and investment in Government securities would be about Rs. 650 crores. These calculations show that on certain assumptions it should be possible to make the banks invest additional amount of Rs. 400 crores in Government securities over the period of the Third Five-Year Plan.

STATE TRADING IN IMPORTS AND A FEW ITEMS OF EXPORTS

SHRI S. N. MISHRA

SUMMARY

Import Trade

- (1) Needs of planning have effected fundamental changes in our import trade. Severe regulation of private imports and increasing imports on public account have drastically reduced the number of importers, Government itself emerging by far the largest single importer.
- (2) Barring the imports of specialised equipment and machinery, the State can take over the import of homogeneous commodities. State trading can limit imports of certain items to the standard variety of each commodity. Most of the arguments against State trading in imports do not have much force in the context of Indian conditions.
- (3) High profit margins exist in a large range of imports which can be availed of by the State. It is also absolutely essential that profiteering in certain items is stopped and distribution at reasonable prices to consumers is assured.
- (4) The profits from State trading in imports, as suggested in the note, would yield about Rs. 45 crores per year.

Export Trade

- (1) The scope for State trading in exports is limited under the present circumstances.
- (2) Certain lines of export, however, can be taken over by a State trading organisation and this would yield Rs. 15 crores or so per year.

Conclusion

State trading in certain lines of our foreign trade is not only feasible but desirable and profitable. Total profits from State trading in these lines would yield about Rs. 60 crores per year. In other words,

we can get resources of the order of Rs. 300 crores over the five-year period.

GENERAL

In a totally planned State managed economy, the two important fields of economic activity affecting the supply of goods and services, namely production and distribution, are wholly socialised. Imports from foreign countries which add to internal availabilities are under State control and their quantum and composition determined by the economic programmes under way in terms of a pre-determined plan. There are, naturally, no private imports and the State is able to choose at will what it shall import from abroad in the light of the changes caused by increase in indigenous production, and its ability to pay for imports through exports and so on. An important adjunct to total planning being a price policy, coupled with physical controls over distribution, our current experience of sharp increase in selling prices of import commodities with every successive tightening of import restrictions is not allowed to manifest itself in such economies.

2. Ours is a mixed economy. Certain fields of production are socialised. In certain others, both State enterprises as well as private ones are allowed to undertake production. In all the remaining sectors which together add up to quite a sizeable proportion of the entire field of production, private enterprise is permitted full play. An important section of economic activity open to private enterprise is a substantial part of the foreign trade of the country. We have, as yet, no overall price policy and with our administrative apparatus and in our present circumstances, physical control over supplies and distribution might be difficult. In regard to internal trading, as opposed to international trading, we have indeed taken the first step towards socialisation of the wholesale trade in foodgrains. It may, therefore, be very well asked whether State trading in imports is really called for and, in case it is, to what extent; and finally, whether such a scheme would be feasible.

Import Trade

3. Strict vigilance on what and how much we shall import has been imposed on us fundamentally by the Plan itself and, more immediately, by our inability

to run down our foreign exchange reserves any further. Quantitative controls on imports built up over the last several years led first to the declaration of quotas expressed as a percentage of the best year's imports for distribution among those already in the trade who came to be known as "established importers." Whenever the foreign exchange reserves permitted it, the quotas for established importers were enlarged and in some cases licences were also issued to new entrants to the field—the so called "newcomers." At the same time, many consumers of imports affected by established importers such as manufacturing units began to feel that they were called upon to pay more than reasonable prices for their requirements. This led to "actual user" licensing which has been steadily growing in importance. Then again, with the launching of the Second Plan which contains substantial public sector programmes of development, imports on Government account have also been growing. As a result of these developments and due to the rather stringent curbs on consumer goods imports, the relative importance of established importer licensing has tended to go down.

4. In these circumstances, the question is whether the next logical step would not be socialisation of the import trade at least in commodities which would lend themselves to bulk purchase and centralised allocation/distribution. Such a measure would have several advantages. Firstly, it would be possible to assess the demand in the country and to go out into the foreign market as a monopoly buyer with a large demand. This means that the country will be in a good bargaining position vis-a-vis foreign suppliers and prices lower than those applicable to a large number of small orders could be secured, resulting in some saving of foreign exchange. Secondly, it is more often than not a waste of time and resources for enterprises, big and small, to have to handle their import requirements themselves, a practice that has steadily grown with the advent of "actual user" licensing. Thirdly, in respect of many a category of consumer goods, centralised buying supplemented by arrangements for equitable distribution can result in the elimination of profiteering by licence-holders which is taking place today.

5. There are those who oppose State trading on ideological grounds. It is not proposed to deal with

this matter in this note. An objection to State trading in imports, usually advanced, is that such a measure would result in the spread of unemployment because the present import traders would have to wind up their establishments. This objection is, of course, partly valid. But even without State trading in imports, the established importers as a class have been steadily losing their importance in foreign trade on account of actual user licensing, increased imports on Government account and their steadily diminishing turnover at every turn of the screw of import restrictions. The latter has led, in some cases, to retrenchment of staff and, in others, for the import establishment to turn to other business, the most important of which has been handling, on an agency basis, etc. the products of local manufacturers. In any case, our Plans will have to have substantial employment potential—running into several millions—which should be able to absorb the comparatively trifling unemployment that might arise in this sector.

6. Another objection is that it is only a fairly large number of private traders who can be expected to know the magnitude and the texture of the demand for imported materials in the country. It is argued that this leads to healthy competition and keen prices and that supplies are more or less matched to demand so that there is no over-importation of goods. It is necessary to consider our imports in the concrete in order to meet this particular objection. Take for example, the case of complete or specialised equipment. Most often they have to be designed and manufactured to the consumer's specifications. In such cases, this objection would be valid. Therefore, State trading should not ordinarily extend to heavy machinery and specialised capital equipment required by the private sector industries. At the other end of the scale are commodities like fertilisers, caustic soda ash, raw films, wool tops, raw jute and raw cotton, crude oil, vegetable oils, raw cashew nuts, newsprint etc. which are homogeneous commodities not having too many grades or different specifications so that the country's requirements as a whole can be bulked without difficulty. In such cases, clearly, the objection dealt with in this paragraph would not be applicable. Somewhere in between are commodities

like iron and steel, chemical dyes etc. Even in these cases, State trading would be feasible because our knowledge of the requirements of the country is much more accurate and detailed than it was ever before. For example, in the case of iron and steel, we have or should have fairly reliable data regarding our requirements of different gauges of steel wire and plate, tin plate, rods, billets, channels, angles, rails and so forth. State trading in these commodities would only mean collecting and bulking the indents of all consumers in the country.

7. Yet another objection to State trading in imports is that there would be a risk of loss, especially in a falling market. This argument can be stretched too far. If the State is to desist from all commercial activity on the ground that such activity always involves commercial or business risks there would, for example, be no case for a public sector in industry. On the other hand, it is our declared policy to enlarge this sector. Therefore, there could be no objection on the ground of risk of loss to the State undertaking foreign trade on its own account. Secondly, despite fluctuations in the prices of primary commodities, usually occasioned by cyclical variations in the level of economic activity in advanced countries, the prices of manufactures, which figure more prominently in our import list, have been remarkably steady, showing thereby that the risk of loss is not really so great. Even supposing that world prices fall after the State had imported at certain prices, the price charged to consumers could be so adjusted as to minimise loss.

8. While on the subject, it might just as well be mentioned that, apart from realising the economies that bulking the import demand of an entire country would render possible, and ensuring equitable distribution of raw materials and consumer goods—especially the latter—at fair and reasonable prices, State trading in imports can also be looked upon as an instrument for raising resources for the State. It is normal and reasonable to make a profit from the sale of imported commodities and there is no reason why the State should not make such profits if it enters the import trade. True, a part of the profits made by importers in the private sector is paid to the State in the form of taxes and these will disappear to the extent the State takes over imports. But, the fact of

the matter is that in many import lines which are in very short supply in the country, the profit margins are abnormally high. (Annexure II shows the margin of profit in the case of certain imported items). These undue profits are transferred from trader to trader in an under-the-counter manner and the taxes normally due to the State are never paid. State trading in these lines could put a stop to such profiteering and evasion of taxes. Further, instead of adopting the principle of what the traffic will bear in fixing its sale prices, the State can, for example, decide to make only very small profits, say 2 to 5 per cent, on certain raw materials, and rather high profits on consumer goods—something which the private sector will not and cannot do.

9. A further objection to State trading in imports is that foreign trading being a specialised activity requiring much knowledge and expertise, contacts abroad, business acumen and ability to take quick decisions, is an unsuitable field for public servants with their bureaucratic ways and procedures. Those unsympathetic to State trading, therefore, are constantly in the habit of predicting that a State trading enterprise operated by Government with the help of public servants will easily come to grief and that its life would be nasty, brutish and short. Here again, the objection would be well sustained if State trading operations were undertaken departmentally. However, it is widely recognised in our country that productive undertakings in the public sector should be run on business and commercial lines. If this can be effectively ensured, there would be no danger of bureaucratisation of foreign trade. Further, it is indeed not necessary for the State trading enterprise itself to undertake all operations connected with imports. It could very well associate businesses in the private sector in its activities and make use of their experience, contacts and expertise.

10. It would not be of much use if State trading were confined to the act of importation. If the State were to rest content with effecting the imports and making them over to wholesalers already in the field, the result would merely be an addition of one more middleman between foreign suppliers and the ultimate consumers. The wholesalers are bound to make their profits on the prices they pay to the State importing organisation. Since, besides

making profits, prevention of undue profiteering is also one of the aims of socialising imports, some attention will also have to be paid to arrangements for the distribution of imports at reasonable prices. In our circumstances, price control down to the stage of retail sales is extremely difficult to enforce. Therefore, if eventually the State decides to take over particular lines of import trade, the distribution of such imports might be entrusted to a few leading wholesalers with whom an understanding should be arrived at to ensure that their prices to retailers are fair and reasonable. If any of these wholesalers do not honour their commitments to the State importing organisation, their dealership of the goods imported by the organisation should be terminated forthwith. Similarly, at the retail stage, if complaints of high prices, reach the Government arrangements should be made for the distribution of imported products through existing fair price shops. Eventually, with the formation of consumer co-operatives and the like, a system of distribution at fair prices could indeed be built up without rigid controls on prices and without displacing those already engaged in retail trade. As far as raw materials and similar commodities required by manufacturing units are concerned, the problem is much simpler; the State importing organisation could channel deliveries to the industries concerned from the port of arrival of the goods in question.

11. The case for State trading in imports rests on fairly solid grounds. With the growing importance of the public sector and increasing supervision of progress in the private sector in regard to its development and other programmes as agreed upon in consultation between Government and representatives of organised private business, allocation of imported raw materials and other commodities will have to be made on a rational and scientific basis. Such allocation will be facilitated if imports are canalised through a fairly small number of agencies. Our needs for imports are likely to be much higher than our ability to pay for them through exports for quite some time to come. State trading in imports enabling as it does the bulking of demands and the preparation of a shopping list in physical terms, as distinct from the half-yearly foreign exchange budget of these days, can lead to the economies associated

with monopoly and bulk buying as also to the optimum use of limited foreign exchange resources.

12. Another objective which can be attained by resorting to State trading in imports is the prevention of profiteering in certain consumer goods (milk food for infants, camphor, betelnuts, safety razor blades, to mention a few examples); only as pointed out earlier, it would not merely be enough to import them through a public agency but also make arrangements for supervision, if not control of channels of distribution down to the retail stage as well. Yet another advantage of State trading in imports would be that small and household enterprises which, owing to their smallness, do not qualify for actual user licences for import (for example bleaching powder for dhobies) will no longer have to depend on established importers who tend to increase their shrinking turn-overs by loading retail prices.

13. The most attractive feature of State trading in imports is, of course, the profits that the State can reasonably hope to make. Annexed to this note is a statement (Annexure I) of imports into our country during 1957 and 1958 of certain commodities in which there is already State trading or the imports of which can be brought under State trading.

Assuming an average rate of profit of 10 per cent, an annual profit of around Rs. 45 crores seems possible. If profits are reckoned at 10 per cent of the duty paid value of these imports, the profit would be somewhat higher.

Export Trade

14. State trading in exports may not be feasible on as extensive a scale as in import trade. In the first instance, our export trade in jute manufactures, tea, hides and skins and to a certain extent cotton textiles is very well organised and no positive purpose is likely to be served by State trading in these lines. Then there are a number of commodities which are subjected to speculation and the trade in some of them is controlled by foreign firms. Shellac, coir yarn and manufactures, cashew kernels and possibly species are some of such commodities. A trading organisation can usefully take over exports in them. Sugar, cement, raw cotton, vegetable oils and steel are some of the items in which export trade by State would be profitable.

It may be estimated that on an average State trading in all the above lines would yield a profit of Rs. 15 crores every year.

ANNEXURE I

Statement Showing Imports during 1957 and 1958 which are being imported or can be imported by the State :

<i>Items</i>	(Rs. crores)	
	<i>1957</i>	<i>1958</i>
1. Milk and cream, evaporated, condensed or dried	7.99	5.86
2. Cereals	55.39	148.83
3. Dates	2.86	2.59
4. Cashew nuts, raw	7.37	7.47
5. Betel nuts	3.48	1.05
6. Almonds	2.39	1.93
7. Cloves	1.85	1.87
8. Tobacco, unmanufactured	1.26	1.36
9. Hides, raw	1.15	1.30
10. Milling copra	12.14	10.42
11. Crude rubber	4.20	4.22
12. Wood, unworked	1.24	1.53
13. Wood pulp	3.12	3.80
14. Cotton, raw	48.62	30.66
15. Jute, raw	7.07	3.39
16. Wool tops	11.23	9.55
17. Fertilisers, crude	2.03	1.41
18. Fertilisers, manufactured	4.22	8.21
19. Sulphur, crude	3.03	1.95
20. Asbestos, raw	2.09	2.21
21. Gum arabic	0.43	0.82
22. Crude petroleum	29.75	15.54

	<i>Items</i>	<i>1957</i>	<i>1958</i>
23.	Petroleum products	77.76	60.30
24.	Coconut oil	2.62	1.67
25.	Palm oil	2.44	2.09
26.	Chemicals and related products—		
	Caustic soda	3.88	3.94
	Soda ash	2.16	1.07
	Bleaching powder	0.14	0.18
	Calcium carbide	0.54	0.53
	Calcium carbonate	0.11	0.13
	Carbon black	1.00	1.21
	Mercury	0.45	0.21
	Sodium hydro-sulphate	1.22	1.23
	Sodium sulphate	0.02	0.32
	Sulphur, refined	0.42	0.41
	Acetic acid	0.69	0.78
	Menthol	0.61	0.41
	Citric acid	0.18	0.17
	Camphor	0.44	0.12
	D.D.T.	1.14	2.96
	Vat blue	1.05	0.91
	Urea	0.03	1.37
	Vat dyes	5.49	3.38
	Wattle extract	0.95	0.75
	Vitamins	2.55	1.89
	Penicilin	1.76	0.78
	Streptomycin	1.64	0.91
27.	Essential oils—		
	Citronella oil	0.12	0.11
	Geranium oil	0.13	0.11

<i>Items</i>	<i>1957</i>	<i>1958</i>
Synthetic oils	0.48	0.32
28. Explosives	2.77	2.98
29. Synthetic plastic material	5.09	3.42
30. Accelerator rubber	0.36	0.20
31. Anti-oxident rubber	0.30	0.25
32. Rubber tyres and tubes	2.56	1.53
33. Newsprints	5.64	4.49
34. Bond and bank paper	0.56	0.55
35. Cotton yarn and thread	3.28	1.73
36. Art silk yarn	14.71	11.65
37. Cement	3.45	0.65
38. Refractory bracks	3.71	3.20
39. Base metals—		
Iron and Steel	146.98	97.80
Non-ferrous	41.33	33.74
40. Wire cables and rope	3.07	2.02
41. Tractors	5.51	3.81
42. Boilers	7.34	8.48
43. Power cranes	5.28	4.23
44. Automatic power looms	0.68	0.69
45. Films raw—cinematographic	2.05	1.64
46. Other photographic films raw	1.66	1.05
Total of above items	579.46	528.79

ANNEXURE II
Statement showing Import Prices and Internal Prices of certain Selected Items
April 1959

(Prices in Rs.)

Item	Unit	C.I.F. im- port price plus im- port duty (Bombay port)	Wholesale prices in India	% profit over im- port price
1. Caustic Soda—Solid	Cwt	38.4	70.0	80
2. Sodium Bicarbonate..	"	119.6	45.0	130
3. Bleaching powder ..	"	46.0	78.0	70
4. Acetic Acid—Germany	lb.	0.75	1.0	33
5. Borax powder ..	Cwt.	43.7	58.0	33
6. Clinical thermometers—Japan	Doz.	6.7	16.2	142
7. Glucose powder dextrose, unhydrated	lb.	0.9	2.5	178
8. Hydrosulphide of soda per lb.	lb.	1.0	3.0	200
9. Refined sulphur powder.	ton.	337.0	360.0	7
10. Bolts and nuts $\frac{1}{2} \times 2$	Gross	6.7	8.0	19

11.	Tinments rivets No. 8	..	..	Gross	78.0	125.0	60
12.	Panel pine—17G $\frac{3}{4}$" ..	..	..	"	93.0	145.0	56
13.	Steel files 8" taper heavy	..	..	Doz.	35.0	52.0	49
14.	Marine type diesel engines	..	..	each	11,700.0	11,350.0	3
15.	Electric motors $\frac{1}{2}$ H.P.	..	..	each	126.0	310.0	146
16.	Coconut oil ..	..	..	ton.	2,025.0	2,400.0	18
17.	Milk food for infants:						
	Lactogen ..	..	..	2 doz. tins.	72.2	114.0	58
	Cow and Gate ..	..	..	1 Doz. tins.	72.2	108.0	50
18.	Pencillin—5 lakh pimpre	..	..	Vial	—	0.6	
19.	Art silk yarn-105 in hand (Bright)	..	..	lbs.	3.4	5.4	59
20.	Betelnuts ..	..	..	mds.	108.0	215.0	99
21.	Lead pencil:						
	Taj Mahal ..	..	..	Gross	26.0	45.0	73
	Kohinoor ..	..	..	"	42.0	66.0	57
22.	Old newspaper ..	..	..	Bale of 2 $\frac{1}{2}$ cwt.	47.0	162.5	246
23.	Cotton yarn 80 counts ..	..	..	lb.	8.5	9.5	12
24.	Safety razor blades 7 O'Clock. ..	..	..	100 blades	7.6	11.7	54
25.	Singer KSV81 Sewing Machine..	..	..	each	315.0	635.0	102
26.	Toilet brushes—shaving gillette ..	..	..	Dozen	29.0	66.0	128
27.	Pearl Barley ..	..	..	" tins	17.5	N.S.	39
28.	Quaker oats. ..	..	..	" "	24.5	34.0	242
29.	Camphor-commercial ..	..	..	lb.	3.3	11.3	

A SMALL BEGINNING IN THE DIRECTION OF A NATIONAL GOLD POLICY

SHRI S. N. MISHRA

WITH the shortfall in internal as well as external resources needed for the Plan, attention is being increasingly given to finding new avenues of national savings. It is not surprising that the gold hoards of the country have been a subject of some discussion as a potential source of the much-needed sinews of development. Planned economic development and increasing investment in gold, a dead asset, are contradictory. There is yet another reason in the context of the Third Plan why the gold-mindedness of the people should be curbed and conditions created for savings to find outlet in more productive channels. As we envisage large-scale step-up in agricultural production during the Third Plan, with the present attitude of the rural people we will face the problem of a sizeable increase in agricultural investible surplus being locked up in gold.

The magnitude of total gold hoards in the country may be a matter of estimate, but there can be no two opinions about the fact that they are quite sizeable. The estimate of the Reserve Bank of India places them at Rs. 1750 crores at international price and Rs. 3000 crores at Indian price. This may be regarded as a modest estimate as most of the other estimates have assessed our gold hoards at considerably higher levels.

Enormous gold hoards are not peculiar to India alone. Even in advanced countries like France there are considerable stocks of gold with private individuals. Of course, the causes and motives behind this phenomenon are not the same everywhere. In India, it is custom, religion and social compulsion that prompt individuals to possess gold—to be exact, gold ornaments. In a country like France where even a farmer may be aware of the value of gold as a good hedge against inflation, the motivation

there is much more rational, though the result may not be different.

There are certain other peculiarities of gold trade in India which must be seriously considered. The first thing that strikes us is the high price of gold in India. As against the international price of Rs. 62·5 per tola (or \$ 35 per oz.) gold in India commands a premium of anything between Rs. 40 to Rs. 60 per tola. This shows the keen internal demand for gold. As gold imports have been banned since 1945, the internal supply is made up of internal production worth Rs. 6 crores per annum and smuggled gold estimated at Rs. 33-35 crores per year involving heavy drain on our scarce foreign exchange resources. This is another peculiar circumstance in regard to gold trade in the country. The third point to be considered is how this quantity is absorbed. In the first place, a part of it goes to meet the traditional demand for ornaments etc. It is, however, suspected—and for certain convincing reasons—that a good part of the supply must be providing a safe device for tax evasion.

The large gold hoards in the country are mostly unproductive, dead assets. Only a small fraction of it is now and then activated and brought to surface for meeting emergencies etc. Whatever gold is in the course of transaction can be only a small proportion of total hoards, but even that serves as a screen for illegal and anti-social activities.

From a long-term point of view, a sound gold policy must initiate a process of gradually reducing the gold-mindedness of the people. A complex of factors like psychology, custom, social compulsion and need for economic security have come to place gold on a higher social and economic pedestal. Gold is still looked upon as a store of wealth, and a good form of investment of savings. It is also regarded as a provision against emergency under which it can either be disposed of or deposited as a security against borrowings. The problems posed by the above factors are by no means easy of solution in the short run. It is therefore essential that steps must be taken to render gold less and less attractive in these respects. The steps will have to be both legal and educative.

Apart from the too general and distant objectives stated above, our gold policy must eventually take

note of certain immediate or short-term objectives. The following may be listed among them :

- (i) To control current accretions to gold hoards and thus prevent savings being invested in unproductive assets;
- (ii) To prevent tax evasion; and
- (iii) To check gold smuggling.

Usually some of the following methods are suggested to mobilise gold hoards :

- (a) Regulation of gold trade by introducing a system of licensing dealers in gold. This means that all purchases and sales of gold would take place only through licensed dealers and the latter will have to submit periodical returns to the appropriate Government authorities. All the individual purchases and sales will be recorded and reported.
- (b) To place ceilings on gold hoardings.
- (c) Monopolisation of gold trade by the Government eventually.

Both the indirect methods under (a) and (b) and the direct method under (c) are likely to create complications which may not be worthwhile getting into immediately without in advance preparing the minds of the people in favour of productive savings. These measures may be adopted gradually in course of time. Meanwhile, at the institutional level, the spread of social services and life insurance in the rural areas may be depended upon to reduce the tendency of hoarding gold for unforeseen emergencies in life. Moreover, a rise in interest rates in national savings deposits accompanied by an intensification of the national savings movement in the rural areas may also have its effect in the corrective directions. If interest rates on deposits with the Service Cooperatives be made attractive there is reason to suppose that we may be able to create a psychology and habit of mind of the people to make productive savings rather than hoard gold as dead assets.

But above all, from the long-term point of view, it is desirable to lay stress on a vigorous educative campaign to loosen the grip of gold on the minds of the people, so that a policy is initiated which goes on

gradually undermining the social and economic importance people attach to gold. As mentioned earlier, the matter assumes urgency in view of a considerable step-up in agricultural production in the Third Five-Year Plan which in the absence of such a policy is sure to be largely diverted to gold hoarding. This means long sustained work and going step by step in the right direction. The results would be slow in the first stages but, in the long run, gold-mindedness will diminish, gold hoards will come out and gold prices will stabilise at the nationally desirable level. I know the suggestions offered above are modest. This has been so because I think that the psychological repercussions of drastic measures at the legal and administrative levels may not be very welcome. What is, however, important in this era of economic development is that we set up right trends and initiate sound policies. The potentialities of this educative plan should not be underrated. Let us not forget that throughout our history of struggle, we began with humble things, like Salt Satyagraha, boycott of foreign goods and foreign textiles. This educative plan for reducing gold-mindedness among the people should also be looked at as a nation-wide campaign. This is imperative in view of the shortfalls in internal as well as external resources for the Plan.

CONTRIBUTION OF THE RURAL SECTOR TO THE THIRD PLAN

SHRI S.N. MISHRA

IT is being emphasised, and rightly too, that without the mobilisation of resources in the rural sector, we cannot have a Plan of the size we are contemplating. The rural segment in such an underdeveloped and predominantly agricultural country as India may conceal large reserves of unutilised or under-utilised manpower, and to some extent of other resources also. But the problem of obtaining increased resources from the highly unorganised vast rural areas is indeed a difficult and complex one. As the bulk of the agricultural population is on the subsistence level, any increase in tax burden or imposition of new taxes on them would reduce their already low level of consumption, and in a democratic country like India, it may have serious political and social repercussions. However, the need for greater resources to finance the Plans and the increasing bias towards improvement of various agricultural services in the development programmes point to the necessity of devising ways and means for ensuring a larger contribution from the rural sector.

On the basis of the position obtaining in the Second Plan, it would be reasonable to assume that the "rural content" of the next Plan *i.e.* outlay on schemes of *direct* benefit to the rural population, may be roughly one-third of the total Plan outlay. The total outlay on the Third Plan may be in the neighbourhood of Rs. 7,500 crores (investment Rs. 6,500 crores plus development outlay Rs. 1,000 crores). So, the "rural content" of the Third Plan may be about Rs. 2,500 crores. During the Second Plan, the schemes suitable for execution by local communities amount to about Rs. 520 crores. We may, therefore, say that such schemes in the Third Plan would amount to about 1,000 crores. It is these schemes for which we can hope to mobilise the rural manpower and other resources.

In what follows hereafter I have attempted to set out how and to what extent it is possible to do so.

(1) Broadly speaking, the following would appear to be some of the ways in which rural savings may be mobilised for the Plan:

- (i) By levying a surcharge on land revenue;
- (ii) By making a success of the State trading in foodgrains and appropriating a part of profit which at present goes to the middleman;
- (iii) By making a success of co-operative farming;
- (iv) By levying a "package cess" for a "new village movement", the programmes for which during the Third Five-Year Plan would relate generally to the provision of such basic necessities like drinking water, primary school, primary health facilities, approach roads, and the like. It may be either on the basis of a village community or a compact group of contiguous villages;
- (v) As a part of the "new village movement," the imposition of a labour tax—say, 12 days' labour or "100 hours for the new village movement" in a year during the slack season; —the payment may be optional, in labour, cash or kind.

The pool of this labour may again be utilised either on the basis of a village community or on the basis of a compact area which may include two or three small villages; and

- (vi) There may be a programme of public works directed to the pockets of chronic unemployment or related to agricultural production and other felt needs.

(2) Nos. (iv), (v) and (vi) may be worked successfully only when we are able to bring about a new leaven in the countryside on the basis of a "new village movement." To this end, the National Service Scheme embracing about 50,000—100,000 students, and the cultural programmes of the community development movement may be utilised.

(3) Now, let us examine the utility of each one of the above-mentioned measures in the context of the Third Five-Year Plan.

(i) Surcharge on land revenue

It may appear that a larger amount of resources can be derived by levying a surcharge on the land revenue. No doubt, land revenue over a long period has not been responsive to agricultural prices and incomes, and there is sufficient justification for introducing changes in it. But the imposition of a surcharge on land revenue for overall developmental purposes without being linked up with the fulfilment of the felt needs of the people, may have to overcome political opposition from a large section of the agricultural population.

(ii) State Trading

Successful State trading in foodgrains on the basis of reasonable profit may prove to be a very effective way of increasing the amount of resources available from the agricultural sector. It would no doubt help appropriate a part of the profit which usually goes to the middleman and thus create surplus for developmental use. But even the objectives of ensuring a fair price to the producer and making grain available to the consumer at reasonable prices are likely to require, in all probability, something more than the taking over of wholesale trade by the State. As this will essentially be a time-consuming process, there may be no prospect of releasing large resources through this method in the near future.

(iii) Co-operative Farming

Co-operative farming may also provide an appropriate organisational framework through which larger agricultural savings can be generated and utilised for national development. But adequate progress in this respect would in the very nature of things require considerable time and we cannot expect to make even an appreciable beginning in the desired direction during the Third Plan period.

(iv) The New Village Movement

(a) "*New Village Cess*"—The psychological resistances as well as scope for political exploitation may be reduced to the minimum if we can relate the

imposition of a tax to the fulfilment of the basic needs of the local community. A "New Village Movement" may be launched in the course of the Third Five-Year Plan which would be enlisting the co-operation and enthusiasm of the rural masses. Each village or a specially delimited area may be provided with such basic amenities as drinking water, primary educational facility and primary medical services and approach road. The nature of these facilities would vary in different areas and so this list may be treated as illustrative. The villagers will have to pay in return what may be appropriately called a new village cess on the land revenue. In this way a part of the resources taken away from the villagers will appear to be canalised back to them. However, such a programme is likely to succeed if there is prior planning, especially area planning on a systematic basis. If we allow for an increase of 25% on the land revenue for this purpose, there may be addition of Rs. 125 to 150 crores to the Plan resources over the 5-year period.

(b) *Labour Tax*—As a supplement to the above proposal a labour tax *e.g.* "100 hours for the new village" or 12 days labour in a year may be imposed on each of the rural families. The tax may be levied during the slack season of the year and the tax-payers will have the option of making the payment in terms of labour, cash or kind. Clearly a labour tax of this kind will carry no greater measure of compulsion than an ordinary tax which is by definition a compulsory levy on an individual citizen. Even now there are permissive legislations in many States enabling the panchayats to impose labour tax but they are not so effective, except perhaps in a few cases. The imposition and collection of this tax may be entrusted to the panchayats which may be assisted by the Government to effectively implement this task. Such a task, even on a merit basis of one worker per family, is likely to yield considerable amount of resources for development. Thus 60 million rural families may contribute about Rs. 70 crores per annum on the basis of one worker doing work worth one rupee a day. In other words, the total contribution in this way would amount to Rs. 350 crores in 5 years.

This may be linked up with a public works programme, particularly in pockets considered to be

depressed from the point of view of employment. A suitably adjusted public works programme will have the merit of making an intensive use of the largely unutilised manpower in an economically under-developed agricultural country. To organise this programme in a proper way, it may be necessary to devise appropriate methods and techniques through experience in pilot projects which may be undertaken in different parts of the country.

To sum up, the contribution from the rural area to the Plan may be roughly as follows :

- (i) New Village Cess—Rs. 125 to 150 crores.
- (ii) Labour Tax—100 hours for the new village—Rs. 350 crores.

Total : Rs. 500 crores.

It would thus be seen that there would be a contribution of at least Rs. 500 crores to schemes of about Rs. 1,000 crores.

Agency for planning and implementation

For the preparation and execution of these schemes of direct benefit to the people it will be desirable to entrust the responsibility to democratic institutions at the village and block level, mainly the panchayats and panchayat samities. It is only appropriate in this field there should be full scope for the exercise of popular initiative, energy and enthusiasm, because here there is a clear, visible relationship between effort and benefit. Such programme cannot be beyond the capacity of sound well-built institutions at the village and block level, assisted by various specialists of the Government departments at those levels. This will be a concrete step in the direction of training people in the planning and organisation of resources and in the implementation of Plan from below.

Section—IV

PRICES, INCOME, WAGES AND PROFITS IN A SOCIALIST SOCIETY

DR. V.K.R.V. RAO

IN a socialist society, the problem of determining suitable policies with respect to prices, income, wages and profits is on the whole less complex than in a society of a mixed character such as ours to-day which is expected to move in the direction of a socialist society. The difference arises mainly from the fact that in a mixed economy, such as ours, a great deal of productive activity is determined by private enterprise with motivations appropriate to private enterprise, while, at the same time, State policy is to replace private enterprise by socialist enterprise but in such a way that production is not adversely affected during the transition. This sets up a whole complex of policies in regard to incomes, wages, profits and prices ; and the resulting maze of contradictions makes it difficult to have an integrated, consistent and purposive policy aimed at the transformation of the mixed economy into a socialist society. This question will be referred to again in the latter part of this paper.

In a socialist society proper, the bulk of income will take the form of salaries or wages, as majority of the working force will be employed either in the public or in the co-operative sector. Even when a considerable number of workers are not thus employed but are self-employed, either in agriculture or small industry or in small trade, they do not have incomes very much out of line with the incomes received by wage or salary earners, as the absence of private property in large means of production will automatically set a limit on the maximum income that a person can earn through self-employment. At the same time, there will be no income permitted in a socialist society which is not accompanied by one or other form of work except, of course, for those members of society who, by definition and for no fault of their own, would be unable to make a contribution in terms of work, for example, children, old persons, sick persons etc. There will be no income from rent

or from the hiring out of property. All incomes will, except in the cases of classes like children, old persons etc. mentioned above, be derived from work alone.

As regards wages and salaries, obviously there will have to be in a socialist society a minimum wage below which no person's income will be allowed to go. This minimum will have to be a moving minimum, moving up with economic development, rise in productivity and increase in national income. Along with this minimum income, there will also have to be a minimum obligation in terms of work. Those who fail to fulfil this obligation will also be denied the privilege of being entitled to the minimum income. In a socialist society, however, there will be no equality of wages or of salaries. Wages and salaries are bound to vary, depending upon scarcities or abundance of supplies in different jobs and occupations and the consequent use by society of wages as a social instrument for bringing about equilibrium between needed supplies and available supplies of labour in different lines of activity. Also wages will have to vary with intensity of individual efforts. A socialist society will have much more of the piece-rate element in its wage policy, and due regard will be paid to the importance of using wages as an incentive for the stimulation of both quality and volume in the supply of work by individual workers. A socialist society, thus, will not make for a drab level of equality but will permit a considerable degree of differences in individual incomes. Only there will be two major points of difference in the levels of income-inequality found in a socialist and in a capitalist society, *viz.*, whereas inequalities of income in a capitalist society will be attributable to a considerable extent to property, rent, monopoly profit, and private ownership of means of production, in a socialist society the differences will be almost wholly attributable to differences in quantum and quality of work and the pattern of social priorities. Also by the very nature of the different factors responsible for the differences in income levels, the range of difference will be much smaller in a socialist society than it would be in a capitalist society.

Prices in a socialist society will be socially determined. Broadly speaking, there will be for purposes of calculation two sets of prices—one, which may be called the *economic price* and the other which may be

called the *social price* ; the first would correspond, to the extent that any such correspondence is at all possible, to the normal price in classical economy, while the latter may correspond to the market price of classical economy, including such indirect taxes as the State may impose for the purposes of mobilising resources. The economic price would cover the cost of production of the commodity including an allowance for replacement, plus a normal profit that would include an allowance for expansion or capital formation and an allowance for maintenance and non-investment activities of the State. The actual price that will be charged will depend partly on the extent of the rate of capital formation envisaged by the community and partly on the requirements of the maintenance and non-investment expenditure of the community. The actual price of individual commodities will also turn upon social policy regarding the desirability of promoting or discouraging the consumption of the commodities concerned, but it is absolutely imperative in a socialist society that there will be a clear understanding and calculation of the economic price of each commodity. If this is not done, it would be very difficult to have a rational policy regarding both allocation and utilisation of resources in the community.

As regards profits, it should be pointed out that contrary to some popular notions on the subject, profits have an important place in a socialist society. The difference between the *economic price* and the *social price* would be what may be called planned profit, and this would largely correspond to the excise duties and sales tax and other indirect taxes that are imposed in a capitalist society, these planned profits being no more than a way of mobilising resources and making them available to the community for purposes both of investment and maintenance expenditure. Profits also have another important role to play in so far as they relate to the economic price itself. The economic price fixed at any particular moment of time is obviously based on the capital, technique and productivity of the given base period when this price is fixed ; any improvement in productivity is bound to lead to a decrease in the cost of production, and, in turn, this would lead to the emergence of a surplus within the economic price itself and that would be a surplus which will represent

a measure of the nation's increase in productivity. This surplus would not be the result of the policies laid down at national level as in the case of difference between the economic price and the social price. On the contrary it would represent the result of the motivations and efforts of a large number of persons engaged in productive activity. Hence the importance of arranging for proper incentives to stimulate the creation of this kind of surplus. That is the reason why in socialist societies now-a-days, individual enterprises are permitted to retain a larger share of such surpluses as they may create by an increase in productivity, this larger share to be used by them partly for increasing individual incomes of those engaged in the enterprises and partly for giving an opportunity to the enterprises in question to build up the financial resources needed for following their own independent investment policies.

We have given above in a somewhat concise fashion some of the major ingredients of the policies that a socialist society will be following on the subject of income, prices, wages and profits. Even this cursory recital is sufficient to indicate the extent of complexity and difficulty that surrounds this problem. The position is much more complicated when we are dealing with a society such as ours to-day with its private sector and its public sector—the extent to which large incomes accrue in the private sector and are somehow tied up with the rate of production in that sector, the large gap that exists between the needs of the State and the resources available to-day through the operations of the public sector, and the dependence of the State on the wages, incomes and profits in the private sector for finding the resources necessary for expanding the range and depth of the public sector. Inevitably, therefore, contradictory elements are involved in policy formulations regarding prices, wages, incomes and profits in such a mixed society. I have not yet been able to resolve in my own mind the different conflicting elements involved. All that is given below, therefore, is merely to indicate a few considerations that have got to be taken into account in formulating policies regarding income, wages, prices and profits:—

- (1) Income that is not directly related to work and, therefore, does not constitute part of the supply price of work should be drasti-

cally curtailed. This means special efforts should be made to tax severely, if not altogether eliminate, private holding of property that is used for obtaining a rent income, whether in a rural area or in urban areas ; to the extent that the rent element is an integral adjunct of the economy and cannot, therefore, be eliminated, it should be socialised.

- (2) There should be a defined policy of a minimum and maximum range of income which should be the objective of socialist policy. To promote this, in the first instance, effort should be concentrated on the raising of the minimum, but the maximum also could rise with an overall improvement in national income.
- (3) Limiting the maximum income should take the form of limiting the opportunities for making a large income rather than that of permitting the making of large incomes and then trying to reduce them by a policy of high marginal taxation.
- (4) A progressively larger portion of national income should accrue from public enterprise, and wages and salaries in private enterprise should be controlled and adjusted by the policies laid down for wages and salaries in public enterprise.
- (5) For all enterprises, whether private or public, norms of productivity should be laid down with suitable incentives for the stimulation of profits emerging from increased productivity and reduced cost of production. In other words, profits should be separated from market price fluctuations and should be tied up with productivity in a technical and physical sense. Only thus it would be possible to stimulate effort in the direction of increased productivity. It follows that profits that are the result of increased productivity should be treated differently from profits that are the result of what one may call the social conjuncture. The suggestion put forward is that there may be a case for classifying profits under the heads of 'earned' and 'unearned' profits.

Of this, the former will mainly be determined by productivity and the latter by rent, speculation, monopoly profits and the like ; the latter type of profit should be subjected to most severe curtailment.

- (6) Public enterprise must be carried on a profit-making basis, not only in the sense that public enterprise must yield an economic price in the terms described in a previous section but must also get for the community sufficient resources for financing a part of the investment and maintenance expenditure of Government. Increasingly, the share of the profits of public enterprises in financing the investment and maintenance expenditure of Government must keep on increasing. It is not only the expenditure on the public sector as such that will indicate the march of the economy towards its socialist goal. Even more important is the increasing role that the public sector must play for finding the resources needed for meeting both the maintenance and investment expenditure of Government. This involves a price and profit policy in regard to public enterprise which goes against accepted opinion so far in regard to public enterprise. The theory of 'No profit, no loss' in public enterprises is particularly inconsistent with a socialist economy, and if pursued in a mixed economy it will hamper the evolution of the mixed economy into a socialist society. The sooner, therefore, this theory of 'No profit, no loss' in public enterprise is given up and the policy accepted of having a price and profit policy for public enterprise such as will make the State increasingly reliant on its own resources (as distinguished from taxing the personal incomes of its citizens), the quicker will be the evolution of a socialist society.
- (7) In so far as the private sector is an important part of a mixed economy, prices should be used both for purposes of regulating allocation of scarce material as well as of discouraging consumption of a kind not

really essential during the initial periods of economic development. Prices have a very important function as instruments of economic policy, whether in a socialist society or a mixed society such as ours: and unless there is integrated and purposive price policy it would be very difficult to get the best out of a mixed economy in terms of economic development and also get it moving in the direction of a socialist society. Hence the great importance of a proper price policy.

There are a large number of other factors involved in regard to prices, income, wages and profit policy in a mixed economy that need study and attention. Quite frankly, I have not been able to think through all the problems involved. What I have stated above, therefore, should be regarded as being a very preliminary note on a rather complicated problem in the economics of a socialist society.

Section—V

INSTITUTIONAL CHANGES FOR PLANNED DEVELOPMENT

SHRI V. V. DRAVID

ROLE of and relations between Government, Congress and other parties and organisations in the whole field of the Nation's planned development are obviously very important, as all are vitally concerned, and have therefore to be carefully considered.

The present time quite opportune for such consideration, which, in fact, overdue, after our having emerged, or nearly so, from initial problems and tasks like establishment of law and order, resettlement of displaced persons, territorial integration and reorganisation of States and adoption of a Constitution conforming to the genius and aspirations of our people ; after having considerable experience of the two plans ; also after having acutely realised the shortcomings, defects and handicaps of the existing organisation and its working and the inadequacies of make-shifts ; and finally, when the third plan is being projected and will be launched soon.

The present forum also the most appropriate for such consideration, as the initiative, guidance and sanction can all be properly supplied here and perhaps nowhere else in the circumstances of our country at present. The basic and drastic changes involved cannot be undertaken by any State in isolation. The Government in the country as a whole also can properly decide on and fulfil such a comprehensive overhauling and improvement programme only with the collaboration and strength of the Party in power. The official Party is, besides, the main link between Government and the people and, to some extent, also other institutions and organisations.

All this indicates clearly the importance along with both the urgency and long-term significance of the present deliberations. *These have therefore to be taken most seriously and pursued to their proper conclusion and expeditious and effective implementation.*

In formulating our recommendations it may be worthwhile to get the benefit of criticism and suggestions by publicising our draft conclusions and inviting comments thereon, especially from knowledgeable quarters.

Once the scheme is finalised and appropriate decisions thereon are taken, let there be an assurance of relative permanence ; else, by frequent tinkering no institution can acquire the prestige to mould behaviour patterns.

To take Government Administration first :

General Considerations

Permanent nature of the process of planned development. Need, therefore, of properly integrating 'normal' and 'development' administration.

Implications

'Development' aspect to be given due importance, not losing sight, at the same time, of the fact that efficient and smooth functioning of 'normal' administration is a primary prerequisite for any real 'development'.

'Special knowledge and experience' of greater importance. Attitude and public relations also important factors. Compactness, efficiency and coordination to be ensured.

Structural and Functional Modification

Reviewing jurisdiction between Central and State Government and local and special bodies, especially between State governments and the various existing or new public bodies, with a view to a better redistribution of functions and powers. A major point to be considered here is the nature and volume of business which the State administration should be expected to deal with. In the old regime very detailed, miscellaneous and day-to-day matters were coming up to Government and the same practice more or less holds good today. To this is added the work connected with our planned development. If this total burden, which will obviously add to itself progressively as we proceed, is to be managed by Government machinery, this latter will have to be perhaps of a different order than we see or generally conceive of. Apart from the impracticability of

such a proposition, it is contra-indicated from the point of our basic notions about State and Community. Any serious effort for improvement in present conditions of near-drift must, therefore, begin with a careful thought as to what should rightly be handled by the State Government, what it should delegate to suitable semi-official and non-official agencies and what should be the proper *modus operandi* within and between these various official, semi-official and non-official institutions. This would involve, besides the examination of proposals already made, e.g., the Balwantrai Mehta Committee's recommendations, a further consideration of the feasibility of transfer of a considerable business from State Government's purview to specially devised new, and may be, joint machinery e.g., committees to deal with complaints and grievances ; committees to ensure good results to public in day-to-day functioning of social services institutions like schools and hospitals etc.

Synchronising jurisdictions at all levels of the various 'normal administration' and 'development' departments and, to the extent possible, also of areas of electoral constituencies. This would necessitate, for example, the realignment of Tahsils to make them conterminous with Community Development Blocks.

Regrouping of subjects in both the Central and State Governments, especially latter, bringing allied subject-heads together under one Ministry for better coordination and efficiency.

Integrating the respective Secretariat and Head of the Department's offices in one to avoid duplication, delay and considerable expenditure. The Secretariat officer or officers and the Departmental Head and his assistants to continue performing their present functions, respectively, of advising the government and implementing government policies and programmes; the latter, however, to function more as specialised executive officers than at present ; the former also giving more weight than till now to desired results at the delivery and the single rationalised office organisation serving both.

Measures to improve efficiency in administration, as a going concern

Appreciating good and punishing bad work—
Review and proper enforcement of service rules.

Elimination of rigid, redundant and bothersome procedure *e.g.*, repetitious, lengthy and formal noting ; avoidable and bulky returns and reports; procedure of land acquisition etc.

Organisation and methods to ensure results at the delivery end—Careful selection of the minimum key personnel ; Suitable training programmes; Wider delegation of powers and Effective inspection and audit, with a view to improvement, not castigation.

Most essential programme for permanent improvement: Selective recruitment on basis of objective tests of merit and progressive system of sandwiched training and employment with screening at each successively higher stage.

A certain number of really competent personnel of requisite stature and ability may also be directly selected for higher and special posts.

Measures to ensure integrity

Reputation to be considered in judging integrity, and in such cases onus of proof against specific charges to be on the public servant.

Reporting of and, where necessary, probe into the private property of the public servant and his near relatives.

Summary Tribunals

Scrutiny of specific fields and appropriate measures—*e.g.*, work of subordinate revenue and police officials ; cost and quality of public works; services or statutory functions of a specialised nature.

Range of salary scales to be narrowed and status to be related to significant work, as part of the general policy on individual incomes.

Evaluation and answerability

Evolving criteria of optimum units of performance, and measuring of compliance with reference thereto. Administrative audit and appraisal reporting to serve data for periodic review and correction.

At least the more important 'charges' in all the departments to be clearly defined; a statement of policy objectives and programmes for each to be prepared and *kept upto date*. The Incharge official to be held personally responsible for drawing monthly

Problems Chart in reference to this statement; mainly for fulfilling the phased programme as per schedule; and for preparing the periodic (but of course not stereotype) appraisal and appreciation report.

The statement of policy objectives and programmes or any important alterations therein, and the annual report for each department should be placed before the Legislature and published in time for general information.

Legislature and role of Civil Services

It is also necessary to think out and undertake suitable measures to ensure that such basic matters will be considered in the Legislature in a more serious and effectively helpful manner than heretofore. In the main and obviously, this could be done by providing for and encouraging special and informed interest by members of Legislature in the particular subject or subjects of their choice. Thus there could be subject-wise groups who would keep in closer touch with the Minister-in-Charge, whose duty it would be to fully enlighten and take into confidence the members concerned with the respective subject-head. Such procedure is likely to lead to closer attention to and consequently better performance in respect of implementation of various existing laws, rather than rushing into a spate of new legislation. Such a development should at any rate be aimed at and welcomed.

Another basic question, which arises at the contact points of the representatives of the people with the administration and which has a far-reaching bearing, has also to be faced here and must be resolved clearly and once for all. This question is about the role of the administration vis-a-vis the Party and politics. In this respect the British model has of course been accepted but in actual practice delicate and awkward questions have arisen. Recently the question has assumed special significance in the light of events and trends in Kerala. It would seem necessary, therefore, to clear the position in definite terms that the civil servants are entitled to advise Government on points of policy in an unreserved and free manner, and once a Government decision is taken they are expected again to advise Government and take all steps necessary to properly execute such a decision.

It is necessary to confirm all this and to work out its implications in the present setting. In this connection a comprehensive enquiry of the type previously done by the Lee Commission, would be desirable. Such an enquiry is further justified considering the long time that has elapsed and the considerable change in conditions that has occurred in between.

Specific fields

Ministry :

While in a democracy political considerations cannot be eliminated, these should not be allowed to eclipse the even more important considerations like attitude, merit and special knowledge and experience necessary for successful performance. The Ministers ought to have a basic grasp of the subject they have to deal with. Cabinets should be compact and homogeneous. Every genuine or *prima facie* case involving charges of dishonesty or favouritism should be forthwith and summarily inquired into at high level.

A code of conduct for Ministers be laid down by the Congress and its breach should not be tolerated.

The code should prescribe salary, allowances and amenities allowable to Ministers on as modest a scale as possible consistent with essential requirements of efficient working.

Security arrangements should be discontinued forthwith.

Tours should be restricted to official business, which ought to be clearly and more strictly defined. During touring Ministers should not accept any private person's hospitality wherever government circuit or rest houses are available.

Ceremonial functions and parties should be reduced to their unavoidable minimum.

Ministers should attend office regularly.

Ministers should take care not to make utterances likely to create confusion or discord in respect of government's policies or working.

Ministers should make no promise that will not be fulfilled.

Secretariat :

Considerable work by various O & M organisations has been already done and fullest advantage should be taken thereof by proper implementation of the conclusions.

There should be immediate and careful sorting of receipts enabling appropriate disposal of respective categories of business *e.g.*, urgent and important items to receive immediate and concentrated attention directly at adequately high level ; avoidable work to be eliminated by weeding out same at starting point itself ; normal business to pass through usual procedure, which to be so rationalised as to reduce stages to minimum possible *i.e.* two only.

The old system of treating Secretariat posts as 'tenure' ones to be revived in practice.

The Secretary to be made personally responsible for certain definite items *e.g.*, Problems Chart ; Position of accounts including dealing with audit objections, and progress of expenditure within Budget ; Break-up of plan schemes into phased programmes ; and progress in their implementation ; Timely issue of sanctions ; Cases of non-payment of salary and pensions ; Filling of character rolls of personnel under the charge of the Secretariat department ; Expeditious disposal of 'Punishment' cases. While the departmental heads are also concerned in most of these items, it is essential to make the Secretariat officer or officers equally responsible to ensure timely and desired results.

The financial procedure to be reviewed and rationalised. The structure, strength and pay-scales should be finalised on countrywide principles giving due weight to all the relevant considerations, in particular, the need to make the organisation compact, efficient and economical.

As for schemes, every new scheme to be first approved on principle, if necessary through discussion with concerned at the appropriate level. The 'detailed' scrutiny should be done keeping in proper view the chief objectives of the scheme and overall need and scope of economy rather than disproportionate, fruitless and frustrating pre-occupation with 'trees' missing view of the 'wood'. The responsibility for such scrutiny should, therefore, be placed at sufficiently high level ; and the final decision in this

generally be taken in consultation with the corresponding representative of the administrative department. This second and detailed scrutiny and final sanction should follow without avoidable delay and the administrative department should be free to proceed with implementation within the sanctioned amount. Delegation of powers and scope for re-appropriation to be wider than at present. The new rules should be worked out by a committee of the Secretary, Head of the Department and a senior official of the Finance Department. System of finance officers to be adopted for all spending departments. The main object in the new system should be that while every scheme justified on the basis of accepted policy objectives and priority programmes is not obstructed but helped to proceed ahead, there is a continuous and vigilant watch, during its working, over current expenditure and corresponding progress in achievement of physical targets. In effect this is both administrative audit and cost accounting.

Change of the present financial year to October-September may be considered. This would enable more realistic budgeting as results of both the harvests would be fairly correctly known. Another and perhaps greater advantage would be the inclusion of the full stretch of the clear weather season suitable for execution of various field works programmes in the same budget year.

As a result of rationalisation of the administrative machinery, it is hoped that there will be some tightening up of the whole organisation and reduction in size. The latter should be taken advantage of by effective screening of personnel for the final structure. The pool of surplus staff should be deployed to clear arrears and complete similar *ad hoc* tasks. This will be worthwhile till the surplus is wiped out by 'natural' reduction.

The Secretary to be responsible for the disposal of business within his department in accordance with the system and standards laid down. In particular, there should be constant and effective check-up on the urgent and important items and on arrears. In respect of latter, it may be necessary to start a new register for reminders, say, the third onwards, with explanation for the delay from concerned where deemed necessary.

Executive Department :

Many of the points already mentioned rightly apply here also.

It is hoped that considerable time and energy which the executive officers have now to expend in clerical and routine work, will be spared when such work as will remain after rational reorganisation will be taken over by the new single office at the Head-quarter. The executive officers will then be mainly concerned and occupy themselves with the proper prosecution of programmes 'in the field'. This should improve the coverage, intensity and quality of direction and inspection. It would also enable the executive officers to remedy to an extent the present serious omissions and commissions in the very essential sphere of public relations: this, let it be clearly mentioned, not in the 'political' sense but in the sense of proper understanding by the people of and their cooperative association with various programmes of integrated development and social welfare.

The feeling of inferiority or subordinate status of the administrative or executive department *vis-a-vis* the Secretariat wing still persists and this is rather damaging from the point of proper functioning of the administration in the respective fields so as to yield desired results at the delivery end. The changes proposed should ensure the emergence of the Secretariat and Executive officers into a work-team with a common end and utilising common or rather joint resource. In order to accelerate and strengthen this process, everything feasible should be thought out and done to make the 'stakes' for the Secretariat and Executive wings identical.

The invidious differentiation between the status of various departments *inter se* should also be definitely eliminated. A basic manual for all State offices and establishments be prepared afresh. This be supplemented for each separate organisation with additional provisions to meet its special needs. Such departmental manual should include clear definition of various charges, expected optimum output of work-results, revised wider delegation of powers etc. as already mentioned.

Every department should similarly compile a compendium of basic data and information pertaining

to its sphere of activity and *keep the same uptodate*. Such information for the various departments should be brought together and, with necessary weeding or additions and by careful editing, a ready reference series should be prepared for the State and its Divisions and Districts. For items covered in such series, no further returns or reports be asked. For that matter, even for other items, the authority to call for returns or reports be clearly and more strictly defined.

A suitable system of incentive rewards be devised for appropriately recognising, appreciating and encouraging outstandingly good work by persons in various categories.

Public Utility, Commercial and Special Undertakings :

A Corporation, with provisions giving scope to Government to guide policies and important programmes through recorded advice, and to Legislature to keep an overall watch on its affairs through discussion and vote on the annual working report and balance-sheet, should prove a satisfactory and adequate arrangement for these undertakings. Each undertaking must have a detailed project report with fully worked out phased programmes including their financial, manpower, services and commodity output implication.

Management, technicians and labour should have their proper and balanced place in the set-up and its functioning. Personnel policies must be progressive. Training within industry should be an important activity in such undertakings. Remuneration on basis of output should be systematically and carefully introduced. The undertakings should be responsible for the all-round well-being of their employees.

The commercial undertakings must yield proper and full return to the public exchequer. An internal but independent and critical examination should be held at appropriate intervals to ensure that any monopolistic or otherwise privileged position of the undertaking is not being abused and social economics of the project is sound.

District Organisation :

Commissionerships seem necessary in the larger States. To prove really useful there must necessarily

be enough delegation of powers to Commissioners. Care has to be taken not to make Commissioners merely an additional stage in the chain of officials. This means that without reducing Collectors' powers, appropriate powers have to be transferred from government and vest them in Commissioners.

Commissioners should be made personally responsible for maintenance of peace. (1. For this purpose powers of taking all the necessary preventive action should vest in them as chief executive officers and should not be transferred to judiciary. 2. It must be emphasised at the same time that a fuller and more positive concept of 'peace' is overdue and this demands active interest in the civic and community life of the people concerned.) ; collection of State dues ; timely disposal of cases ; and progress of development schemes within their respective Divisions.

Besides attending to current official business and serving as Government's chief representative in the Division for purposes both of internal working of the State machinery in the Division and of liaison between the people and the Government, the Commissioner should have a clear picture of the socio-economic conditions and potentialities of the area concerned ; and it should be one of his most significant duties to initiate and pilot well-considered proposals for the proper development of the region. Such proposals would of course relate to schemes for special or major projects as may be feasible anywhere in the respective Divisions; but besides those, and more particularly, the idea should be to introduce a suitable nucleus activity in every 'pocket' as the key to its appropriate and, in due course, integrated and accelerating development.

Districts to be re-affigned on a rational and economic basis.

The designation of 'Collector' be changed to Deputy or District Commissioner.

Whatever has been said for the Commissioner of a division applies, *mutatis mutandis* to the Collector within his jurisdiction.

Collectors not to divert officers to other than their own respective assignments on the plea of co-ordination. Ministers and V.I.P.s not to expect district staff to wait and attend on them during

tours, except, of course, when required for official business or special occasions.

Only one joint District Advisory Committee to be set up and fully used for consultation and participation with people's and public bodies' representatives. Strong and active bodies to be established at the district level, preferably through elective process, to coordinate, guide, encourage and strengthen activities of the Municipalities, Panchayats and Cooperative Societies within the district. It may be that the Development Block is preferred as a more suitable unit for such bodies for Panchayats and Cooperatives.

A new institution, formed of a very few and selected individuals, some of them non-official, to be set up to enquire into and deal with complaints and grievances of specified, and, in the beginning, very simple nature and this in a few selected districts. If the experiment succeeds, it can be extended so as to yield better disposal of people's complaints and grievances and simultaneously to relieve State machinery of considerable burden of work.

Similarly, committees, with appropriate composition, may be set up, in the first instance, on an experimental basis in selected districts, for looking after satisfactory working of specific aspects of social service and welfare activities *e.g.*, schools, hospitals etc., so as to ensure best possible results to people entitled to benefit therefrom. After a successful trial the system can be generally adopted.

Necessary experienced staff be employed to correct as upto date the record of survey and settlement and carry out standardisation of revenue within a couple of years.

Recovery of land revenue and *tacavi* to be proceeded with as per rules without direct or indirect intervention from any quarter whatsoever.

Tacavi distribution to be first coordinated with and then taken over by co-operatives.

The Patwari's Daftar should be open to inspection by the concerned in the presence of the Panchas at the stipulated hour and place, which may conveniently be immediately after the meeting of the Panchayat and at the place of the meeting itself.

All police on patrol duty in rural areas, excepting special, dacoit infested localities, to be dispensed

with. Police to be posted in well-organised stations or sub-stations for their specific task of dealing with crime or disturbance only. Vigilance and patrol duty in villages to be taken over by Gram Yuvak Dal.

Standard criteria related mainly to the function of population and area, be set up, keeping in view various relevant factors and available resources, for providing the several social services welfare and development institutions.

At the Block level the recommendations of the Balwantraji Mehta Committee to be implemented on a carefully drawn phased programme basis.

The Block Advisory Committee should be made quite important, active and effective institution for purposes of consultation with and participation by people's and public bodies' representatives in all government programmes. This committee should be the working committee, formed mainly through election and to some extent by co-option, of the general body of the Presidents of Panchayats and co-operative societies within the block. The general body should meet twice a year, preferably on the already prevailing or specially introduced occasion of Mela in the two slack seasons of the agricultural calendar when all government officials concerned and public workers should also be present. In such a meeting of the general body, which ought to assume in due course the character of a regular and the most important conference of the real representatives of the people in the area along with their leaders and responsible government officials, all important government policies and programmes should be clearly indicated and sanctions to various local schemes should be finalised and announced. The executive committee of this general body, which in effect would be the Block Advisory Committee as already mentioned, should meet at least once each month, to attend to the proper execution of all this development programme and other allied functions; and should submit its report to the general body in its bi-annual conference.

The Tahsildar should be called Block Officer and he should be made responsible for the development work in the area. He may have to be given an assistant for revenue work as addition to the team of the various departmental officers at the block level.

The block headquarter should have all the social service, welfare and development institutions of the appropriate level including mandi, co-operative marketing and purchase society and godown, hospital with small indoor ward and maternity home, high school with agricultural and vocational bias and hostel, a veterinary and cattle breeding centre, agricultural farm with nursery etc.

The block should be subdivided, grouping the villages round a central big village with the bazar into more or less equal-sized units. Each should have a Revenue Inspector and, if possible a primary health centre and a secondary school with agricultural farm and small workshop. When electric power becomes available, it should be released here to a rural industries centre, where various artisans and craftsmen from the group of villages could go to work with appropriate tools and facilities.

Successful establishment and conduct of this trinity of primary institutions is obviously the most basic and the biggest task before the country. While the institutions themselves represent the main organisational foundation for the whole of rural India, they pose, at least in the initial period which must spread over quite a few years yet, a vast and difficult organisational problem. The effort has to be immense, indeed, to measure up to the gigantic scale of a problem. But at least as important as the magnitude of the effort, is the question of the correctness of approach. Whether there should be complete decentralization and full delegation of functions and powers or centrally controlled decentralization or, again, a 'cautious' approach? Whether the institutions should be the responsibility entirely of elected office-bearers and non-official public workers or there is need for some official machinery also? If the latter is indicated, which and how much should it be? And what should be the relationship between the elected or non-official and official wings? Again how is this 'base' to be linked with the 'superstructure' and the whole to be properly integrated—not only administratively but also in other respects, especially economic? All these and such others are vital and far-reaching questions, about which it will be hazardous to offer definite and final answers at this stage. The best course seems to be to try various alternatives in the

respectively favourable circumstances and thus at last to evolve the desirable pattern.

To speak about the official personnel here, it seems necessary to have at the village level at least one competent and properly orientated functionary to carry on the work together of the Panchayat and the co-operative, one teacher-guide to conduct the village school and to enlighten the rural community generally, and one Patwari to keep the land record and village statistics. In smaller units, the first two offices could be combined. In the bigger villages assistants may be needed to each of them.

THE ORGANISATIONAL BASIS OF A SOCIALIST PATTERN OF SOCIETY

DR. B. N. GANGULI

THE capitalist system took several centuries to become the dominant form of socio-economic organisation. It became dominant, not to the complete exclusion of other forms. Similarly socialist transformation would imply that the socialist form of economic organisation should eventually become the dominant form, while other forms of social structure remain. It can be so, provided the changes in socio-economic organisation *in their totality* are broadly directed towards socialism.

Since any form of social structure cannot be entirely superseded, institutions characteristic of the capitalist structure as the dominant form, have to be remoulded and new institutions have to be fashioned.

We have decided to combine socialism with democracy. Institutional changes that we deliberately seek must remove the structural defects of our economy which inhibit progress and provide incentives which stimulate progressive change in the direction of a socialist society. This is possible only when power and responsibility are decentralised and when social effort directed towards social service (the essence of socialism) finds free expression in forms of organisation which stimulate the spirit of social solidarity in *small, dispersed and co-operative neighbourhood groups* functioning in a democratic manner.

From the point of view of organisation, socialism would mean, in the broad context defined above, three processes of development :—(1) *co-operativisation* at the primary level ; (2) *municipalisation* at the higher and intermediate levels; and (3) *nationalisation* at the national level.

Too much attention has been diverted to “nationalisation” as being the essence of socialism. Nationalisation no doubt has an important part to play in the key sectors of the economy. But it is not sufficiently recognized that “co-operativisation” and “municipalisation” of industries and services have to play a very dominant role in a socialist democracy.

The conduct of industries and services by *democracies of consumers* realises the principle of production for use, and not for exchange, with all its manifold advantages. It is possible through such democracies, *if they are universal*, to eliminate capitalist rent, interest and profit; to lessen inequalities of income; and to permit of accumulation of capital and property in the hands of the many rather than their concentration in the hands of the few.

Co-operative associations and municipalities are both forms of organisation which exist in every capitalist society. They can very well form the building material for a socialist society, provided that, among other things, the primary units are federated into bigger units of operation which are controlled and regulated by the nation as a whole so as to subserve the common interest in terms of cost of operation or the quality of service or conditions of employment of workers.

There are obvious reasons why many industries and services have to be *municipalised* rather than *nationalised*. The case for local administration of industries and services rests on the consciousness of neighbourhood and of common needs differing from those of other localities. The residents in a given area have necessarily to make use of the same local services. Neighbourhood ties influence administration in many unforeseen ways. In the characteristic municipal industries and services, producers and consumers are near each other and are aware of each other. This sense of solidarity among neighbours living in the same surroundings and using the same local services is a great social asset which socialism may exploit as well as preserve and intensify.

In a way people are used to municipal socialism. A municipality, unlike a co-operative society, does not return its surpluses as "dividends on purchase" by consumers, but uses them for maintaining unremunerative public services; and then, in order to make up the deficiency, levies on occupiers of houses and lands an equal percentage of the annual rental value of their premises, which is a rough index of their "ability to pay." In the case of a well-run municipality, the main principle of distribution of commodities and services which it may supply, is

“to each according to his needs, and from each according to his ability.”

The possibilities of municipal socialism have been realized in a very large measure in most capitalist countries, but very imperfectly in our country. Vital and efficient municipal organisation can be an important ingredient in the foundations of socialism.

Not only in the urban, but also in rural areas, local self-government has to be re-organised and activated. This problem, however, cannot be properly tackled without *uniformity of legislation, throughout India, governing the powers, functions and the constitution of local bodies.*

We have not yet thought of federations of local bodies, charged with provision of products and services through pooling of resources of contiguous local bodies. Such federations exist in other countries.

I may point out next how the broad strategy of traversing the three-fold path indicated above can be generally worked out in terms of planning the appropriate organisation in different spheres. My treatment of the matter is illustrative rather than exhaustive.

The Rural Sector

The vast private sector in the rural areas can no longer be left to the devices of anarchical individual operation of farms and other productive enterprises.

The minimum institutional requirement is the development of semi-socialized co-operatives after land reform has been completed in each Community Development Block.

Redistribution of land after the fixation of ceilings or allotment of reclaimed land must be on the basis of formation of co-operatives.

A beginning should be made with elementary forms of co-operative effort in small neighbourhood groups before launching on a programme of joint co-operative farming.

Priority should be given to multipurpose co-operatives for supplying seeds, manure, short-term credit, implements, irrigation facilities and marketing facilities. Each State must have a Central Land Mortgage Bank. Co-operatives must function within

the frame-work of the Community Development Organisation.

Federations of co-operatives at the District level, and subsequently at a much wider level would be the concurrent steps to be taken. Co-operative organisation should run parallel to the Community Development Organisation at the various levels.

Multi-purpose co-operatives may easily have wider functions, depending upon the maturity of the co-operative organisation. They may lend or sell seeds, prescribe the methods of cultivation, buy up crops, fix prices of agricultural products, sell the farmers' requirements and lend capital. They can easily become government agencies in the fields of taxation and trade and distribution. Their activities can easily be co-ordinated with those of government agencies handling food, cloth and other essential goods as well as institutional credit agencies connected with the co-operatives.

These co-operatives can function under two essential conditions :

(1) There must be a large cadre of trained organisers and advisers to start and operate co-operatives ; and (2) the function of this cadre must also be (a) to prevent the comparatively prosperous sections of the community from exploiting co-operatives for their own benefits and (b) to stimulate the co-operative zeal of the poorer sections of the rural society.

The organisational structure outlined above would, with necessary adjustments, suit the requirements of village industries. The present multi-dimensional organisation for the assistance of small and village industries must be unified and streamlined and brought within the framework of the Community Development Organisation.

Industrial Estates are being started to serve as centres of agro-industry. They will become spearheads of industrial advance in the countryside with the progress of rural electrification. They can easily be run on multi-purpose co-operative lines. If they cannot be brought within the frame-work of the Community Development Blocks there should at least be close co-ordination between the former and the latter. An attempt must be made to enlist landlords who have lost their estates, urban educated

middle-class and technicians in small mechanized industries in the service of Industrial Estates.

Possibilities of municipal socialism in the vast areas outside the bigger cities must be fully explored. Industrial Estates which will be small scattered townships, can be excellent instruments of municipal socialism. Federations of these and other small municipalities can be powerful institutions of a socialist society.

Public and Private Sectors of Industry

It is of the essence of socialism to recognize that there is one sector, *viz.*, the national sector and that both the public and private sectors must subserve the national interest.

This implies that we must avoid top-heaviness and bureaucracy in public corporations and inefficiency and corruption in the private sector.

It is essential to ensure that, in the name of an autonomous corporation and owing to lack of trained personnel with expert knowledge of business, we do not allow public corporations to be run by private capitalists.

Since we assume a decentralised economic organization co-ordinated by a cost and price system in a market economy the managers of State industries must secure the full advantages of such a system. They must be free to experiment with new products, alternative methods of production and combinations of factors of production. This is possible only where their remuneration reflects their success or failure as managers. A system of fixed salaries, depending upon the size of business, supplemented by bonuses based on certain *criteria* of efficiency as well as a system of promotion by selection, are the appropriate principles of business management.

Attempts should be made to rely on forms of organization which bring together the State and private enterprise in common undertakings.

Intermediate forms of business organization involving the State placing orders for processing jobs for finished goods, making centralised purchases and underwriting the marketing of the output may be quite useful.

Lower forms based on State purchase of products

and State agencies acting as selling agents are quite useful and familiar forms of State capitalistic enterprise.

We must experiment with forms of organization based on co-operation between private medium and small factories and large State factories. Private stores may also act as agents for State-owned enterprises in special lines of goods. Such institutional arrangements would be found useful if small industries and enterprises are to be strengthened as part of the programme of building up a socialist society.

Trade and industry in the private sector as well as in the State sector should be organised into a deliberative body on a national scale. An important object of such an institution will be to study problems of capital, profit, taxation, quantities and qualities of commodities and services and their prices, the accounting system and, above all, the relation of private firms to the State.

There should be increasing stress on the *vocational reorganisation* of industry and trade.

The essence of vocational organisation is the development of specialised rules of conduct to be enforced by the organisation on its members. Development of professional ethics and pride in one's work and craftsmanship are the very essence of discipline and productivity in a free, socialist society. Maintenance of proper standards of quality, price and service to consumers can become part of the code of vocational ethics.

While the right of self-determination for each vocation and the right of free enterprise for every type of socialised administration will be recognized, they must not misuse the instruments of production, must serve the community, must not exploit labour and must produce commodities and services in the same quantities and qualities and at the same price as are justified by norms set by the community.

Internal Trade and Distribution

State trading is an essential part of Socialist transformation. It may take various forms. The State may enter the field of private trade to establish its price-leadership. It may establish monopoly of trading in essential commodities.

State trading serves a two-fold purpose. It can be an important source of public revenue and capital formation in a planned economy. It is also a means of operating on market supplies of essential commodities and on market demand with a view to curbing inflationary pressures.

State trading is a difficult instrument to handle, because maximising profits on internal trade may not necessarily be consistent with stabilization of prices and the domestic economic balance. The enormous capital required for financing trade in essential commodities, like food and cloth, is a limiting factor. But it is clearly necessary to combine State-regulated trading with State-conducted trading in scarce and essential commodities, particularly foodgrains.

Mobilisation of Resources

The structural organisation suggested in this paper leaves much to local initiative and enterprise which are supposed to be released through co-operativisation and municipalisation of the means of production.

The logic of such development is that local resources should be mobilised and deployed for executing local projects. They should be supplemented by State expenditure on parts of the Plan which are beyond the financial capacity of the local authorities.

There is a larger scope for channelling of institutional credit to the rural areas. Once multi-purpose co-operatives begin to be financed indirectly by the Reserve Bank and directly by the increasing number of branches of the State Bank, large-scale movement of funds will stimulate production, consumption and savings in a cumulative manner. Rural co-operatives in conjunction with the branches of the State Bank of India (the Small Savings campaign should cease to be a separate organisation by itself) can succeed in attracting the surpluses that will be created in the rural areas, provided attractive schemes like savings deposits in real terms, savings deposits with lottery tickets (as in China), patriotic savings deposits as well as emulation savings drives, are adopted as means of resource mobilisation, apart from the instrument of taxation.

Assignment of Savings to administrative units in

the rural areas, apart from assignment of a percentage of land revenue realised, is another means of stimulating local enterprise.

The overall organisation needed would be one in which the State Bank, the agencies concerned with multipurpose service co-operatives, the trained cadre of workers and representatives of co-operatives as well as local political workers and citizens can play an important part.

Organisation and Training of Personnel

The Government of India have done very little to implement the Industrial Policy Resolution of 1948 in the matter of training a cadre of managerial personnel for State enterprises. Lack of key technical personnel and even semi-skilled labour has been a serious bottleneck.

Universities have now to adapt their curricula and training techniques to the requirements of building up a vast Socialist society. Young men and women trained in Universities will be needed to establish and work the new institutions outlined above.

The one institution which has shown great promise is the Community Development Organisation. It will be necessary to link up various specialised development agencies with the Community Development Organisation. But the Organisation is also faced with the problem of trained personnel, while streamlining of this Organisation itself is the concurrent need in the immediate future.

If the organisation visualized in this paper is to take shape and function in the manner assumed, a large number of trained workers would be required. With proper effort this would not be beyond our capacity.

Property Institutions

It is evident that Socialist transformation basically means changes in the existing property institutions.

The institution of private property has been perverted by extending the concept to things and rights which are not fit objects of individual ownership. In no civilized community has the definition of private property been unlimited. One can under-

stand that property may be secured to a person or a group for his or its own subsistence and welfare. A socialist would say that this purpose has been thwarted by the capitalist system. Stress has been on ownership rather than use, and on income derived from functionless ownership. The value of capitalist property depends upon the dissociation between use and ownership.

A society moving in the direction of Socialism must, therefore, provide for the elimination of functionless owners of property. Rather the trend should be towards universal diffusion of private property throughout the whole community.

We have done away with the top layer of the rentier class in agriculture. But other layers still remain not only in the countryside but also in urban sector. This is a contradiction which has to be resolved.

It is also clear that economic surpluses are emerging in various forms as the result of large public investment. We do not know precisely the point or points at which they are emerging. In any case our tax machinery is unable to appropriate the bulk of these surpluses for economic development. Here is another unresolved contradiction.

So long as these contradictions persist it is possible neither to move in the direction of a Socialist society nor to implement a Third Plan with an investment target of Rs. 10,000 crores.

INSTITUTIONAL AND ORGANISATIONAL CHANGES

SHRI U.N. DHEBAR

THE subject of Institutional Changes has to be viewed from two angles. There are some changes which are implied in the acceptance of a democratic pattern of society and Government. There are others which have become imperative upon our acceptance of the goal of socialistic society. It is necessary to bear in mind this dual aspect of the problem in thinking about the institutional changes we contemplate. Both these are now a part of the accepted obligation of the Party as well as the State. The changes contemplated go beyond the realm of a decent and honest administration. It is a question of changing the entire socio-economic structure of the country and this cannot be achieved unless those institutions which today fashion the policies of the country and the institutions and organisations which deal with its production apparatus or are engaged in distribution or exchange, execute those policies, either directly or indirectly, also accept the need for such changes.

While, therefore, the broad strategy and the aim of a democratic Socialist State received the acceptance of the nation and the Government, it is still not clear whether the implications of that strategy and the aim and the policies based upon them are accepted to the same extent. So far as a broad strategy and the aims were concerned, there was a certain amount of labour spent and spade work done by the leadership during the course of the last half a century in building up public opinion in support thereof. But one cannot say, with the same degree of confidence, that similar spade work has been done in relation to the carrying home to the people the implications of Democratic Socialism. It will not be proper to go on assumptions. Before we touch the present mechanism, whether of administration of economy or of politics, we shall have to think, therefore, in terms of building up the necessary support to these changes. There is also another snag here. Our

country has accepted the new objectives more out of faith. We had a pretty long time at our disposal to build up the requisite public opinion in support of those objectives. There was an emotional upsurge and climate of hope to assist us in doing so. All these favourable circumstances made our task easy to bring about a change in the attitude of the people. The task, hereafter, is going to be increasingly difficult. In the first place, consciousness is increasing. Secondly, the media which will undergo changes are themselves working under heavy pressures and the changes will have to be undertaken under conditions of strain and finally there is not much time at our disposal. It will, therefore, be advisable to think about such changes in an abstract way. The practical aspects of the problem have also to be considered.

Much thought has been bestowed upon this problem during the last ten years. The administrative apparatus of the State has on the whole done well. It has been trying to adapt itself to the requirements of the new situation. It has shown weaknesses too. Some of these weaknesses are of a character that cause anxiety and concern. But, by and large, the response has been good. Political organisations accustomed to a role of agitation and propaganda have been making frantic efforts to come out of these ruts. They are also suffering from deficiencies. Some of these deficiencies are certainly of a serious type. Non-political organisations such as Bharat Sevak Samaj, Sarva Seva Sangh, Kasturba Gandhi National Memorial Trust and semi-official organisations such as Khadi and Village Industries Commission and Social Welfare Board have been trying to contribute in their own way to the creation of a climate of constructive work. Economic organisations of the country are slowly trying to digest the new lessons. Cooperation is now a live issue. Private Sector is showing some nervousness but will be cooperative. A wide public sector has sprung up which is making a significant contribution. The local bodies and other Local Self-Government Institutions are working under various kinds of handicaps. But with all these, if the progress has to be measured in terms of the twin objectives to be achieved, it can be said that a beginning is hardly made.

This is not by way of criticism. Our hands have

been full with all kinds of things and even now there is so much pressure on us. We are operating under various kinds of limitations. Moreover, it will not be safe, nay it will be hazardous in the extreme, to undertake changes without properly studying them in advance not only in relation to our capacity to bring them about physically but in the wider picture of their effects upon other aspects of life and activity of the country. Even after such study, some time must be given for introduction of the changes and thereafter for watching the effects thereof before undertaking further changes. We cannot afford to upset the existing arrangement out of love for some theoretical satisfaction. The People's Government and their business must go on uninterrupted while the changes are taking place.

The present apparatus of the State, it is realised, requires to be drastically reoriented. In a democracy, it is not enough that the State is run for the people. It is necessary that the people also feel that it is run for them. It requires a very casual observation to understand that we have not been able to generate that feeling among the people. On the side of development, while great things have been achieved, our intentions to carry satisfaction to the common man have still remained an ideal on paper. A beginning has to be made by making administration more intelligible to the people and by building up democracy and initiative from below. A people's administration must function through a medium which is natural to the people and from a distance which is not too far from their reach. The administration of the States must function in the language of the people and there must be the widest possible decentralisation not only of the functions but of authority and powers to local bodies and other Self-Governing Institutions, including Panchayats. The problem of decentralisation is being approached from three different angles by three different classes of people. The administrator looks upon it as a devolution of the functions of a residual character in dealing with which he or his subordinates are not interested. The intelligentsia outside the administration considers local bodies as an important link between the administration and the people. But its approach is the approach of the people who are nervous in transferring real power and authority to

the people for fear of inefficiency and mistakes. Both these approaches are inadequate if we want these bodies to fulfil the two objectives we have placed before the nation. I am citing the words of G.D.H. Cole written in connection with Local Self-Government institutions in England :

“What I am suggesting is that the current lack of interest in the Local Government problem is due not simply to the uninterestingness of the sanitary functions out of which modern Local Government has developed, but to an utterly wrong conception of Local Government which we have inherited from the days when it was generally assumed that its functions should be essentially residuary. Instead of treating it as the scavenger of the abuses with which no other agency can or will deal, we should regard it as the master-architect of the fabric of community living. We ought to ask not what other agencies can be induced to do after a fashion, but what the local community can do best for itself over a wider or a narrower field according to the nature of service to be supplied. We ought to leave the other agencies to fill in the gaps, not to use the Local Government as a means of patching some of the rents they leave.”

Behind this approach is a fundamental principle on which will turn what we actually mean by the Institutional Changes in the context of the two objectives we have in view. The decision-making is the essence of administration and this must include the right to decide on the questions of policy as well as the implementation thereof. It does involve responsibility and mistakes will be committed. But let us humbly accept that the present set-up is not free from them either, qualitatively or quantitatively. What is going on at the lower level cannot do credit to anyone who thinks in terms of a decent standard of administration acknowledging its responsibility to the people.

I would therefore start as a first piece of democratic institutional change from the bottom. The administration of the States must function in the language of the people and there must be the widest possible decentralisation not only of the functions but of authority and powers as well. The test of real decentralisation is the power to make decisions, both

on policies as well as implementation within the purview of their authority. There should be no effort to tie them up indirectly by putting up some administrative or official boss at some level. The best way of training the people is to place responsibility upon them squarely and tell them that they prosper or suffer on the basis of the work they themselves put in through their own initiative and ability. This question has been studied by Balwantray Mehta Committee and we should make a beginning with it. I would not like to repeat what has been said therein.

This will not be enough to reduce the administration to its legitimate proportion. A paralysis has come over the system. There is so much of distrust and concentration still and is perhaps increasing. The hierarchical approach has got to give place to an approach of comradeship in the administration. The officers at the top must be prepared to transfer on the widest possible scale power and functions to their subordinates. This must happen not only at the Secretariat level, but in the district administration also. The people must be permitted to function with initiative. It is much better that the administration functions and makes mistakes than that for fear of mistakes it does not function at all. Trial and error is a recognised method of education and training. Initiative and a sense of responsibility go together. The lack of interest and indifference that we notice in the subordinate services is absolutely the responsibility of the higher grade services who are incapable of taking work from the subordinates on a footing of comradeship and equality. The result is that they are over-burdened with work themselves, almost to the cracking point. This is a thing of their own making. The other result, however, is much more grave. The people come in touch with the services of the Government at the lower levels. They find that these limbs are ineffective, irresponsible, inactive and more often than not with no more life than the wood they sit on. Whatever the work that is being done at the top, the people down below are certainly not the symbols of the administrative efficiency, responsiveness and vitality. The only cure is trust and responsibility. No bureaucracy has done it so far on its own accord. It must be the business of the People's Government to think about it and enforce it.

There are two other questions ancillary to this question, namely, the question of discipline and integrity. I will repeat what I said in my Nagpur speech. One thing that is urgently necessary is a tribunal composed of judicial personnel having experience of public administration for speedy disposal of cases involving corruption, inefficiency and wanton indifference in the discharge of their duties by public servants. Reasonable proof should be deemed to be enough. This may result in some hardship to the public servants. But the claim of the people to a pure and efficient administration must reign supreme. Once the recruitment is made by the Public Service Commission their task should end. The decision of the tribunal should be final. Security to the public services should not result in insecurity for the people, as a deteriorating administration ultimately results in.

With decentralisation enforced and with discipline tightened up, there will remain a few more problems to be tackled in relation to the administrative apparatus. They are :

- (i) Recruitment and Training of Cadres.
- (ii) Co-ordination.
- (iii) Economy and Efficiency in administration.
- (iv) Co-ordination between normal administrative functions and developmental functions, especially the work connected with the implementation of the Plan.
- (v) Public Enterprises.
- (vi) Public Co-operation.
- (vii) Public Relations.

The first four are essentially the subjects which Government can decide on the advice of its expert agencies like Public Service Commission and the Methods and Organisation Division. I understand that is being done, though it is not intelligible what progress is achieved. At any rate on a subject of such vital importance nothing will be lost if the evidence and the opinions collected from these sources are shared with the public by the Government. The compartmental and uncoordinated functioning continues still unabated. Despite Chapter VI in the Plan, despite the Finance Minister's budget speech for 1956 and appointment of a Committee by

the National Development Council, the net result has been that the administrative expenditure has consumed a substantial part of the income from additional taxation originally intended for development. It is clear that the recruiting, supervisory and expert bodies at work on the question have not yet been able to locate the real disease.

On the question of public enterprises, it will be necessary to consider from a wider angle on the basis of experience so far gained. At the present level, this sector has to be a specimen and example of sound administration and technical functioning as well as an efficiently-run commercial concern. This is, however, in common with the Private Sector. There are two other functions which this sector has to discharge. It has to act as the medium for mobilisation of resources and a medium for changing the socio-economic structure of the country. Whereas the former function can be discharged by any one with integrity and capacity, the latter which is the special function of the public sector will mean in terms of personnel in-charge certain qualifications to carry out that function. This means that it must have a sound ideological outlook. If we fail to have a personnel with these two qualifications, a day will come when the public sector will be a cause for the grief of the country.

On the side of Public Co-operation and Public Relations, apart from the limitation of the approach and outlook of the personnel or the services, which can only be tackled by altering the recruiting policies and perhaps the media of recruitment, there is a great gap to be filled up. We must make a beginning by associating more actively the services of the M.Ps. and M.L.As and M.L.Cs. for the purpose. They need not be consulted in day-to-day functioning of normal administrative work, but the implementation of the Plan stands on a different footing where they can play a more effective role. This also applies to the constitution of District and Block Advisory Committees.

Coming to the question of Economic Reorganisation, Dr. Ganguli's note contains some very useful suggestions and I would suggest that we take this paper as a basis for our discussion.

Coming to the question of academic institutions,

there has been a volume of literature on the subject beginning with Dr. Radhakrishnan's report and the Secondary Education Commission's Report. While so much thinking has been done on the subject, the progress achieved in the direction of reorienting the system of education to the needs of democratic social structure has been comparatively little. We had already ten years and we must come to some definite conclusions on the point.

The Plan says, "the importance of basic education for a country which seeks to develop rapidly is now well recognised." We have yet three parallel systems of education working in the country even at the primary level, *viz.* the basic education system, the normal elementary school and the public school. A sense of resistance is developing in the minds of the people in the rural areas. They feel that their children are being discriminated against and a kind of retrograde system of education is being imposed upon them. This problem, in my opinion, can be easily settled if we are prepared to take an objective view of the situation. Nobody who advocates basic education is now opposed to the introduction of scientific and technological education in the curricula in the higher standards. Nobody regards labour and craft concept as unscientific. To what extent should it pay its way can be worked if the art or craft is a productive one. The earlier we eliminate the distinction between the basic education and the normal elementary school, the greater will be the harmony produced between the urban and the rural child.

The second problem is the problem of the text books. The stuff that is being placed in the hands of the children has to be examined from the angle of the values we want to be instilled in the minds of the children. Our history text books yet contain material of a character which must continue the embers of communal fire burning delightfully as ever before. There is no effort to build upon the cultural foundation of India although so much material exists. The Ramayana, the Mahabharata or the Bhagwadgita or the Bible or the Quran are considered to be outcastes simply because they have some connection with religion. It is forgotten that they influence and will continue to influence millions. I do not see how the reading of Quran or the Bible or the

Bhagwadgita or Ramayana or Mahabharata will come in the way of our secular democracy. It is better that these are taught on a rational basis in the schools rather than left to be dealt with by people who have cultivated an irrational angle towards them. Gandhiji's love for children was phenomenal. There is very little being placed in the hands of children to reflect that love and utilise it for the purpose of developing an outlook of life he so much wished the children to imbibe.

Physical culture is hardly encouraged anywhere. We have to see the gymnasium classes to appreciate how any child can develop any lure for it. There is very little of sport and whatever exists is intended for demonstration or for a privileged few. Touring is encouraged more for the benefit of sight-seeing. It is a pity to see the young children roaming in the streets satisfying their curiosity without receiving any food for their intellect of lasting value. A child after touring the length and breadth of India is hardly wiser than before. Nobody cares to introduce the children to the history and the literature of the places they visit. Nobody enables them to understand the ways and methods of life of the people. Nobody cares to bring to the young mind the common features of our country's life and literature. These tours are again reserved for the benefit of the children of the parents who can pay.

Very little is being done to prepare the child to face the rough and tumble of life. On the contrary, everything is being done to encourage softness and ease. The educational system may be good or deficient, but it is the angle that counts. We refuse to imbibe the indigenous angle and relate it to the new scientific and other needs of the country. It still continues to function from the old angle with the result that education takes away the child from the realities of the situation in his country. A person soon becomes stranger in his own house.

Finally we come to the political sphere. What can a political organisation do? How should it be reorganised? The first thing in my opinion that is necessary is to broaden the base of our political organisations. There is a danger of the limited interest of the party getting the better of the wider interests of the country. This danger is appearing on the surface in Kerala and that may appear also

elsewhere if too much of emphasis is placed on the party's interest as such. The people, if they come to feel that their interests are only secondary to the interests of the party in the new framework of the country's life, will be driven again to a negative way of thinking. This way is already receiving some encouragement. I have never agreed with the view that party system is bad, but what I feel of importance is that the party organisations should be enabled to look beyond their oligarchical interests. It is difficult to create tests. One or two tests are, however, easily possible. I have no doubt in my mind that elections on party lines at the panchayat level or in the co-operatives and the exploitation of the student community for political purposes are going to be disastrous for the unity and stability of the country. As regards the former, I may quote G.D.H. Cole who has written on the subject of party politics in Parish Councils. He says: "A Parish Council can hardly work well if one party is successful in capturing all the seats in it. It needs to reflect the composition of the Local Community Government as a whole and to organise co-operatives among members of it despite their political differences."

It is possible to begin with these two things. If necessary, we may have constitutional provision for it and the violation of the Constitutional provision would then entail consequential punishment. We can also think about a common code in the field of labour elections. In the former, some beginning has been made and it should be pursued. On the positive side, there are forums like District Development Councils, Block Development Councils, Bharat Sevak Samaj, Social Welfare Board, Khadi & Village Industries Commission and other places where political workers can work co-operatively for the good of the nation.

The second stage is a stage of the village and the ward. The Congress organisation should have some unit functioning at that level. It is only recently that we have changed our Constitution. Within the set-up of the present Constitution, it is possible to create agencies to work out definite programmes in relation to education in a democracy and participation in the development effort and creating public opinion in favour of both. We have thought of having teams. Lalbahadurji made a sincere effort to carry

it through, but we have not proceeded beyond the Mandal. I think this is the next thing that we should take up.

We were at one stage thinking of introducing functional representation. The idea met with some opposition and was therefore dropped. If the Congress organisation is to be reflecting the spirit and the mind of the people, we must have in the organisation, people who are actually associated with dynamic and vital activities in various fields—I mean Kisans, Labour, Youths, Women, teachers and professionals. Co-operatives are going to be the bedrock of our new institutional set-up. We have to remain in touch with that activity. While we may not have functional representation, there can be no objection to making it obligatory upon the Mandal, District and Pradesh Congress Committees to invite leaders functioning in these spheres in their areas.

The District Congress Committees have at present supervisory and guiding functions. Their work is more of an executive character. The Pradesh Congress Committees can, therefore, very well delegate the whole of this kind of work to them and the Pradesh Congress Committees can concentrate on questions of wider importance and deeper significance. It should try to do in the State what the A.I.C.C. is trying to do at the Centre. It is necessary that this body functions absolutely on democratic lines.

We have tried to solve the riddle of co-ordination. In most of the States there will be hardly any question arising because the question of co-ordination will have been solved though in a manner we had not expected. This is, however, no reflection on anybody. A provincial organisation that makes its business to enter into a clash with the group in the Government must be prepared for the consequences. But there is another danger that those in the administration may find themselves completely cut off from the people.

As regards satisfaction of popular grievances, I am still of opinion that it is in the interest of the Chief Ministers and their colleagues to see that the Five-man Committees function effectively. The Working Committee had considered in 1957 the question of giving a right for constructive agitation in the case of non-fulfilment of public grievances after repeated

efforts. It is very necessary that there must be some avenue for voicing the people's objections in a constructive manner. Of course, there were strict rules in this connection. I have a feeling, however, that this is not welcomed. Democratic functioning and right to represent the grievances of the people are the vital needs of the Congress organisation, apart from a clear ideological picture and programme for workers at every level of the organisation.

The provincial organisation and the district organisation should be in constant touch with the members of the District and Block Development Committees who owe allegiance to the party. At the moment, except for the A.I.C.C., there is not much effort noticeable to bring these people into the picture. They are associated in the performance of a very important task and the Congress can maintain its contacts through these people with the masses much better.

The Party now under the guidance of the new President has taken up the work of imparting training to the workers. We are weak on the side of publicity. The approach and method to this question are under consideration of the Congress President.

Our Executive Bodies at all levels must be composed of persons who are prepared to give most of their time to the organisational work. It will be advantageous to entrust specified functions to each of the members of the Executive Committee, other than the Ministers.

The main task of the organisation will be to carry the message of democracy and planning to the people and render assistance in the realisation of the planned targets both on the side of resources as well as programme of work. Therefore, as soon as the Plan is finalised, the P.C.C. in cooperation with the Congressmen in office should prepare and distribute their targets to each District Congress Committee, to each Mandal Congress Committee and to each Primary Committee. This will constitute their five-year programme. The failure or success in achieving the necessary mass support and rendering necessary assistance and support in relation to their target figures, will determine the failure or success of leadership at these various levels.

I have not touched other organisations doing

chiefly constructive work. There are two types of organisations in the country—the old Constructive Works Organisations who do actual field work at the lowest level and others which function superficially. A lot of Government money is diverted to no use simply because the persons in charge of these latter type of organisations have some kind of a pull and manage to get substantial grants. While it will be wrong at the policy level to interfere in the working of these organisations, the Government should work out tests of actual field work ; otherwise spurious coins may drive out good coins.

I have not referred to, in this note, village panchayats and co-operatives as basic institutions, because this subject has been already discussed in the Agriculture Production Committee Report and the Balwantrai Mehta Committee Report. What remains now to be done is implementation rather than going over the ground again and again. Dr. Ganguli's note has covered this aspect and let me not repeat it here.

PARTY TRUCE FOR THE PLAN PERIOD

SHRI K. A. DAMODARA MENON

IT was in Soviet Russia that the idea of a planned economy was first conceived and implemented.

The conditions for the success of the Soviet plans were created by a totalitarian regime which ensured a stable authoritarian Government with dictatorial powers to mobilise and regiment both human and natural resources for the fulfilment of the Plan targets. We, in India, have deliberately chosen a different path. We are seeking to achieve planned development of our national economy in a democratic set-up. We are wedded not only to socialism, but also to the fundamental rights enshrined in our Constitution. We believe that parliamentary democracy is the best form of Government suited to our genius and culture and the democratic way is the most civilized way for achieving social and economic progress.

But in an underdeveloped country like ours, this democratic approach to planning is far more difficult than a totalitarian approach. The mobilisation of our resources for the successful execution of a plan of the magnitude we have in view, can be effected under a parliamentary democracy, not through force or compulsion, but through the enthusiastic co-operation of the masses of our country. Acute party rivalries and unscrupulous exploitation of the heavy burdens of planning for party gains, will place such hurdles on our path that progress may become extremely slow, and a feeling of frustration may overtake us. The problem of party politics, therefore, requires careful consideration, in order that we may be able to create conditions for the success of the Plan.

A few points are noted below with a view to initiate discussion :

- (i) The raising of the necessary financial resources of the Plan would require an appreciable contribution from the masses of the people either by way of taxes or loans.

The level of living of the masses is so low that it will be difficult to get them to the necessary frame of mind for making a willing contribution to the savings needed for economic development. Party politics should not aggravate this difficulty.

- (2) Any scheme for the utilisation of the idle manpower of the country can be successfully undertaken only if mass enthusiasm for productive activity is generated. Under conditions of destructive party rivalries it will be extremely difficult to cultivate this enthusiasm.
- (3) In the Plan period we visualise important institutional changes which will carry us forward to democratic socialism. We intend to develop co-operatives in the agricultural sector and in small-scale industries, to enlarge the functions and powers of panchayats in rural areas and to introduce a scheme for workers' co-operation in factories and large-scale industrial undertakings both in the public and the private sector. We are seeking to transform the economic organisation of production, distribution, exchange and consumption in the community. This transformation cannot, in a democracy, be brought about by legislation alone. A mass psychology for co-operative enterprise and collective responsibility has to be created by proper propaganda and the right kind of education. It is well worth considering whether narrow party spirit and sectarian outlook, if they are allowed a free play, will not produce conflicts and hatreds on a scale that would frustrate popular efforts for effecting this transformation in a healthy manner.
- (4) For creating conditions for the successful implementation of the Plan, we have to depend not only upon the regular administrative services but also on a large number of non-official workers with proper training. The question will be raised as to which political party these workers would belong and

what their precise role will be in the developmental activities. It is not conducive endeavour if the recruitment, training and field work of these non-official workers become matters of power politics and party rivalries.

What then, is the way out ? While it is not advisable to make any change in our Constitution and the democratic way of life we have chosen, it may be desirable to create healthy conventions which will enable our parliamentary democracy to adjust itself to the political compulsions of a planned economy.

These compulsions are :

- (i) The Plan will have to be treated as a national Plan, not only by the Congress, but also by the other political parties in the country.
- (ii) It must be the effort of all parties to ensure stable and efficient Governments both at the Centre and in the States.
- (iii) All political parties must accept a code of conduct which will be based on the restraints and responsibilities of the democratic way of life.

For evolving these conventions we must try for a party truce for the Plan period.

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